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Note

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Abbreviations

CCISUA	Coordinating Committee for International Staff Unions and Associations of the United Nations System
CEB	United Nations System Chief Executives Board for Coordination
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
PAHO	Pan American Health Organization
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNISERV	United Nations International Civil Servants Federation
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNWTO	World Tourism Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

Glossary of technical terms

The glossary of technical terms can be found in a separate document on the website of the International Civil Service Commission at https://icsc.un.org/library/default.asp?list=AnnualRep.

Letter of transmittal

Letter dated 11 August 2017 from the Chair of the International Civil Service Commission addressed to the Secretary-General

I have the honour to transmit herewith the forty-third annual report of the International Civil Service Commission, prepared in accordance with article 17 of its statute.

I should be grateful if you would submit the present report to the General Assembly and, as provided in article 17 of the statute, also transmit it to the governing organs of the other organizations participating in the work of the Commission, through their executive heads, and to staff representatives.

(*Signed*) Kingston P. **Rhodes**
Chair

Summary of recommendations of the International Civil Service Commission that call for decisions by the General Assembly and the legislative organs of the other participating organizations

Paragraph reference	
	A. Conditions of service applicable to both categories
	1. Use of categories of staff, including General Service, National Professional Officer and Field Service
48 and annex II	The Commission recommends to the General Assembly the guidelines for the employment of National Professional Officers, as set out in annex II.
	2. Study on performance management and proposals on performance incentives
65 and annex VI	The Commission reaffirms its earlier recommendation to the General Assembly concerning the proposed principles and guidelines for performance appraisal and management for the recognition of different levels of performance, with two revisions to the recognition and rewards framework, as set out in annex VI.
	B. Remuneration of staff in the Professional and higher categories
	1. Base/floor salary scale
97 and annex VII	The Commission recommends to the General Assembly, for approval with effect from 1 January 2018, the revised unified base/floor salary scale, as well as the updated pay protection points for the Professional and higher categories, as set out in annex VII to the present report, reflecting a 0.97 per cent adjustment, to be implemented by increasing the base salary and commensurately decreasing post adjustment multiplier points, resulting in no change in net take-home pay.
	2. Evolution of the United Nations/United States net remuneration margin
106	The Commission reports to the General Assembly that the margin between the net remuneration of officials in the Professional and higher categories of the United Nations in New York and officials in comparable positions in the United States federal civil service in Washington, D.C. for the calendar year 2017 was estimated at 113.4.

Summary of recommendations of the International Civil Service Commission to the executive heads of the participating organizations

Paragraph reference	
	Conditions of service of the General Service and other locally recruited categories
160, 161 and annex IX	As part of its responsibilities under article 12, paragraph 1, of its statute, the International Civil Service Commission conducted the surveys of best prevailing conditions of employment for the General Service staff in Vienna and recommended the resulting salary scale to the executive heads of the Vienna-based organizations, as set out in annex IX.

Summary of financial implications of the decisions and recommendations of the International Civil Service Commission for the United Nations and other participating organizations of the common system

Paragraph reference	
	A. Remuneration of the Professional and higher categories
	Base/floor salary scale
94	The financial implications associated with the Commission's recommendation on an increase of the base/floor salary scale, as set out in annex VII to the present report, were estimated at approximately $421,000 per annum, system-wide.
	B. Remuneration of the General Service and other locally recruited categories
	Survey of best prevailing conditions of employment for General Service category in Vienna
161	The annual financial implications associated with the implementation of the new salary scale for the General Service category in the Vienna-based organizations, as well as the revised dependency allowances, were estimated at $3.4 million at the April 2017 exchange rate.
	C. Conditions of service in field
	Danger pay
178	The financial implications of the Commission's recommendation with respect to the payment of danger pay at 30 per cent of the net midpoint of the applicable General Service salary scales for 2016 are estimated at $17.4 million per annum, system-wide.

Chapter I
Organizational matters

A. Acceptance of the statute

1. Article 1 of the statute of the International Civil Service Commission (ICSC), approved by the General Assembly in its resolution 3357 (XXIX) of 18 December 1974, provides that:

> The Commission shall perform its functions in respect of the United Nations and of those specialized agencies and other international organizations which participate in the United Nations common system and which accept the present statute.

2. To date, 16 organizations[1] have accepted the statute of the Commission and, together with the United Nations itself, participate in the United Nations common system of salaries and allowances. One other organization,[2] although not having formally accepted the statute, participates fully in the work of the Commission.

B. Membership

3. The membership of the Commission for 2017 is as follows:

Chair:

Kingston P. Rhodes (Sierra Leone)**

Vice-Chair:

Wolfgang Stöckl (Germany)*

Members:

Marie-Françoise Bechtel (France)**
Larbi Djacta (Algeria)***
Minoru Endo (Japan)*
Mohammed Farashuddin (Bangladesh)***
Carleen Gardner (Jamaica)**
Luis Mariano Hermosillo (Mexico)*
Aldo Mantovani (Italy)*
Emmanuel Oti Boateng (Ghana)**
Curtis Smith (United States of America)*
Vladimir A. Storozhev (Russian Federation)***
Xiaochu Wang (China)***
Eugeniusz Wyzner (Poland)**
El Hassane Zahid (Morocco)***

* Term of office expires 31 December 2017.
** Term of office expires 31 December 2018.
*** Term of office expires 31 December 2020.

[1] ILO, FAO, UNESCO, ICAO, WHO, UPU, ITU, WMO, IMO, WIPO, IAEA, UNIDO, UNWTO, the International Seabed Authority, the International Tribunal for the Law of the Sea and the Comprehensive Nuclear-Test-Ban Treaty Organization.

[2] IFAD.

C. Sessions held by the Commission and questions examined

4. The Commission held two sessions in 2017, the eighty-fourth, held at United Nations Headquarters in New York from 20 to 31 March 2017, and the eighty-fifth, held at the United Nations Office in Vienna from 10 to 21 July 2017.

5. At those sessions, the Commission examined issues that derived from decisions and resolutions of the General Assembly as well as from its own statute. A number of decisions and resolutions adopted by the Assembly that required action or consideration by the Commission are discussed in the present report.

D. Programme of work of the Commission for 2018-2019

6. The programme of work of the Commission for 2018-2019 is contained in annex I.

Chapter II
Reporting and monitoring

A. Resolutions and decisions adopted by the General Assembly at its seventy-first session relating to the work of the Commission

7. The Commission considered a note by its secretariat on resolutions and decisions adopted by the General Assembly relating to the work of the Commission. The note highlighted the presentation by its Chair of the forty-second annual report of the Commission to the Fifth Committee of the General Assembly (A/71/30).

8. The Fifth Committee had debated, in particular, the issues of severance pay, the margin, gender balance and the salaries of locally recruited staff.

9. With regard to severance pay, while some Member States were opposed to the introduction of severance pay for staff on fixed-term appointments, others were not convinced that the Commission's recommendation was far-reaching enough and thought that severance pay should be granted to fixed-term staff leaving the organization after only five years of service. References were made to other international organizations, most of which had more generous severance pay plans than the United Nations common system. Accordingly, the General Assembly requested that the Commission undertake a comprehensive analysis in conjunction with stakeholders and report to the Assembly at its seventy-third session, in 2018. With respect to the margin, while reaffirming the Assembly's decision contained in resolution 70/244 that the Commission should take appropriate action through the operation of the post adjustment system if the margin trigger levels of 113 or 117 were breached, the Assembly requested that the Commission continue to provide information on the development of the margin over time in its annual reports. While not an element of the annual report, the Fifth Committee took up the matter of how the salaries of General Service staff were set and expressed the view that the remuneration for that category should be aligned more closely with that of national civil services. Accordingly, the Commission was asked to consider, during the next review of the salary survey methodology, the possibility of increasing the weight of local national civil services among the retained employers, taking into account that the United Nations was a civil service organization. Finally, as in the past, the issue of gender balance was at the forefront of the discussions, and as a result the Commission was asked to report to the Assembly at its seventy-second session, in 2017, on the progress made by organizations in the implementation of existing gender policies and measures towards achieving the goal of 50/50 gender balance and strengthening geographical diversity within the common system.

10. After having reviewed the proposals of the Commission, the General Assembly adopted resolution 71/264, without a vote, on 23 December 2016.

Discussion in the Commission

11. The Human Resources Network and all three staff federations took note of the decisions of the General Assembly. UNISERV, however, requested that the issue of severance pay be reported to the Assembly earlier than 2018 and CCISUA requested that the Commission follow up with common system organizations with regard to the implementation of the mandatory age of separation of 65 for staff recruited before 1 January 2014.

12. Within the Commission, a reference was made to the importance attached by the General Assembly to the issue of equitable geographical representation and the goal of 50/50 gender balance as expressed in part III.B of its resolution 71/264.

Since the Assembly had already requested that the Commission provide information on the issue at its next session, it was considered essential that the ICSC secretariat obtain the relevant information on the progress made in that area from all organizations of the United Nations common system.

13. In response to the request by UNISERV, the Chair informed the staff federation that the General Assembly had given a specific time frame to report on severance pay. Accordingly, the Commission would observe the time frame requested in the resolution and report to the Assembly at its seventy-third session, in 2018.

Decision of the Commission

14. The Commission decided to take note of General Assembly resolution 71/264.

B. Monitoring of implementation of decisions and recommendations of the International Civil Service Commission, the General Assembly and the legislative or governing bodies by organizations of the United Nations common system

15. Under article 17 of its statute, the Commission submits to the General Assembly information on the implementation of its decisions and recommendations. The Commission considered the implementation by organizations of its recommendations made in 2015 and 2016. It had before it information from 25 organizations.

Discussion in the Commission

16. All stakeholder groups took note of the information provided. The representative of UNISERV expressed concern about insufficient harmonization of the organizations' policies and practices. The core staff of organizations had changed, since staff represented only about 50 per cent of personnel, while the rest comprised non-staff. He also lamented the increased limitations to interactions between organizations and staff representatives. With regard to the classification of duty stations, he pointed out difficulties family members faced in some duty stations. FICSA and CCISUA supported the statement by the representative of UNISERV, and expressed concern that some organizations were trying to avoid introducing the mandatory age of separation of 65 for staff who had joined organizations before 1 January 2014. Others were implementing those provisions after the deadline given by the General Assembly, which was 1 January 2018. The representatives emphasized the fact that organizations had to show duty of care towards staff.

17. The Commission found that item to be key, as without the implementation of its decisions there was no point in having a common system. The Commission expressed concern with respect to the fact that some organizations, such as FAO, had not taken steps towards implementing the new mandatory age of separation of 65 for staff members who had joined before 1 January 2014. Some Commission members felt that the reporting cycle should be changed to an annual cycle, in particular for those years when there were major changes to the compensation system and to other human resources policies, while others thought that organizations should be given sufficient time to report. Commission members stated that it would be useful for the information to be presented not only in text format, but also statistically, so as to be able to draw conclusions more easily. A few organizations had not responded to the questionnaire sent by the ICSC secretariat, but most of those provided the requested information during the session. The

Commission members wanted its secretariat to consistently follow up with organizations in order to elicit responses from all of them.

18. Two organizations joined the common system during the reporting period: the International Tribunal for the Law of the Sea and the Comprehensive Nuclear-Test-Ban Treaty Organization. The expansion in membership was welcome and perceived as progress.

Decisions of the Commission

19. The Commission decided to:

(a) Underscore the need for organizations to implement decisions of the General Assembly and the Commission in a timely manner and in full compliance;

(b) Request that organizations that had not yet done so take appropriate measures to implement the mandatory age of separation of 65 for staff who had joined before 1 January 2014;

(c) Instruct its secretariat to provide a report on the implementation of decisions and recommendations on an annual basis, which would also provide more timely reporting to the Assembly on the actions of organizations with regard to implementation.

Chapter III
Conditions of service applicable to both categories of staff

A. Use of categories of staff, including General Service, National Professional Officer and Field Service (review of the compensation package for locally recruited staff); working group report

20. At its eighty-fourth session, the Commission considered the use of the following categories of staff: National Professional Officer, General Service and Field Service. On the basis of consultations among the ICSC secretariat and the organizations, a list of issues for further consideration was presented with regard to the three categories of staff. In addition, the results of a study conducted by an external consultant comparing the job classification standards for the Field Service category with those of the Professional and General Service categories was presented. The study had determined that the job classification standards for the General Service and Professional categories could be applied to the work performed in the Field Service category. The Commission had, in addition, considered a study on the external practices of other international organizations with regard to the use of local and expatriate staff. That study had pointed to more organizations resorting to the use of locally recruited staff. Some of the key drivers for the increasing use of local staff were related to, in descending order of importance, increasing national capacity and development, the availability of local talent, reduced administration, costs and the business rationale of having staff who were closer to the client.

21. During the discussions, the Commission took into consideration the various views of all stakeholders and decided to establish a working group that would study further those issues pertinent to the ongoing review. The Commission also decided that its secretariat should continue to review the use of the Field Service category in consultation with the organizations using the category.

22. At its eighty-fifth session, the Commission reviewed a report by the working group, which had studied issues relating to the use of the National Professional Officer, General Service and Field Service categories.

23. The working group, in reviewing the use of the National Professional Officer category, noted that the underlying basis for the use of the category merited some reconsideration. While building national capacity remained a consideration, globalization and the increasing availability of local talent with the relevant knowledge and skills sought by the organizations also needed to be taken into account. The use of the category should also contemplate the delivery of the mandates of the organizations and their work towards the 2030 Agenda for Sustainable Development. Given the divergent views within the working group on some of those aspects, two options were proposed with regard to the criteria for the use of the category. Some participants were of the view that the current criteria should be largely maintained, with minor revisions, while others felt that greater flexibility was required with regard to certain aspects, including the stipulations as to nationality and national content.

24. With regard to the General Service category, the working group had considered whether the nature of work in that category had changed significantly. It had also studied issues relating to career development and progression in that category. In that regard, some views had emerged in the course of the review favouring a single grading structure for the General Service and Professional categories. The working group noted that many of the aforementioned issues had been addressed at the time of the development of the global job classification system for General Service staff. According to the available information, there did

not appear to be any indication of a major shift in the nature of work carried out within the category; therefore, a review of the application of the job classification standards needed to be undertaken in order to assess whether there were any issues that required attention by the Commission. As a result, the working group recommended that information on the application of the global job classification standards promulgated by the Commission in 2010 should be sought from the organizations; and, while no immediate review of the job classification standards was necessary, the Commission might wish to consider such a review at some point in its future programme of work. That would allow the Commission to assess the need for any changes in the current system.

25. With regard to the Field Service category, the working group noted that the use of the category had evolved since its inception in 1949. The working group recommended the application of the General Service and the Professional categories job classification standards and proposed criteria for the use of the Field Service category.

Discussion in the Commission

National Professional Officer category

26. The representative of the Human Resources Network agreed with the recommendations pertaining to staff in the General Service and Field Service categories. With regard to the National Professional Officer category, the organizations had called for more flexibility. Flexibility was an important underpinning of the reform agenda of the Secretary-General, which had been devised in close dialogue with Member States. He proposed that the Commission consider adjustments at the current session to the nationality and national content requirements. Organizations remained interested in exploring options for the use of the category in the headquarters duty stations, taking into account operational needs of the headquarters- and field-based organizations. In his view, the issue needed a rethinking of the original intent of "building national capacity" in the light of prevailing skilled labour markets in many parts of the world. National Professional Officers were pivotal to the implementation of the 2030 Agenda for Sustainable Development, which called for increasing national ownership and implementation. That was in line with the increases in shared services and centres for delivering core administrative functions, which required National Professional Officers who had a more regional focus. The Joint Inspection Unit had recommended in that regard that: "The General Assembly should, consequent to the current review by the International Civil Service Commission of all categories of staff, take action, if possible at its seventy-second session, to address the needs of organizations for locally recruited professional expertise for functions not limited to national content" (see JIU/REP/2016/11, rec. 5). More flexible use of National Professional Officers would also enhance career development and staff engagement. The representative finally stated that, while cost was not the only or determining factor in the discussion, the Commission should be mindful of the increasing challenges of shrinking contributions from key donor countries.

27. FICSA expressed appreciation for the transparent and open manner of engagement in the working group. With regard to the National Professional Officer category, since the working group was unable to reach consensus on the category, FICSA fully supported the option that proposed minimal changes. With regard to the other categories, FICSA fully supported the recommendations of the working group. The representative of CCISUA stated his federation's concern about the need for equal pay for professional work of equal value, and maintaining the international character and nature of work of the Professional category. With regard to the nationality criterion, it was estimated that less than 2 per cent of National

Professional Officers were non-nationals and the Human Resources Network had clarified that there was a certain level of capacity among nationals in many countries. Removing the nationality criterion would be politically difficult given recent global developments. Organizations could then move staff to country offices and pay them National Professional Officer salaries. On the national content criterion, there was no rationale to remove it given that most surveyed posts appeared to maintain national content. Asking national officers to conduct work of an international nature was a way of paying international staff against national salary scales, and it also exploited the willingness of some staff in developing countries to work on international content for a lower salary. With regard to the issue of career prospects, he stated that many National Professional Officers had ambitions of working outside their country and the answer should not be to widen the scope of their work while continuing to pay locally set wages, but to give them better access to jobs in the international Professional category, as many organizations had done and as more should. Given the aforementioned concerns, CCISUA preferred the second option proposed by the working group.

28. UNDP stated that the implementation of the 2030 Agenda for Sustainable Development would require the common system organizations to modernize their ways of doing business, especially given the unpredictable funding modalities. Most of the staff of UNDP were in the field, and locally recruited staff were the backbone of the organization. Against that backdrop, the National Professional Officer category provided a great source of talent, and some flexibility with regard to the use of the category for work of a subregional, regional or international nature could be recognized, in addition to the national content dimension. The organizations wished to make clear that what was being requested was some flexibility, and that they did not intend to bring in non-nationals from outside programme countries to work as National Professional Officers within programme countries. The focus was limited to some non-nationals resident in the programme countries who were already allowed to work.

29. The representative of the United Nations also supported greater flexibility. He stated that the General Assembly had approved National Professional Officer positions at the Regional Service Centre in Entebbe, Uganda, and that during the Ebola crises some National Professional Officers had been moved from Monrovia to Freetown to contribute their expertise on a regional basis. The arrangements had been found to be useful, and while they had been done on a pilot basis, the Assembly had not had any issues with them.

30. The representative of UNHCR stated that his organization had about 600 staff at the NO-A to NO-D levels, of which approximately 200 had been converted to international Professionals between 2012 and 2016. A new policy for the recruitment of international Professionals would result in about 50 per cent of National Professional Officers being able to apply as internal candidates. He also stated that, due to the nationality criterion, progression to the National Professional Officer category for deserving non-national General Service staff was denied. Lastly, he stated that, while originally National Professional Officers had been required to return to their national services, that was usually not the case given a number of factors, inter alia, the higher levels of salaries in the common system compared with the national civil services in many programme countries. UNHCR supported the proposals on the Field Service category. However, the representative also stated that, in UNHCR, movement into the Field Service category was mainly from the General Service category.

31. The representative of UNFPA stated that the current review provided a unique opportunity to modernize and simplify the categories. Issues faced by the organizations were not purely of a national dimension and could have a regional or

broader dimension. In terms of career development, about 24 per cent of international Professionals in his organization had started as National Professional Officers. He also stated that, in some countries in the Gulf area, only staff from other countries could be recruited, as the levels of salaries were insufficient to attract some nationals of the Gulf area. In his organization, National Professional Officers were assigned outside their country of employment only on short-term details of up to six months and included the payment of a daily subsistence allowance. Clearly differentiating the functions between the National Professional Officer and international Professional categories was difficult given that the level of skills available among local candidates varied from one country to another.

32. UN-Women stated that about 80 per cent of its staff were in the field and that the organization was cognizant of the need to enhance national ownership and implementation. National Professional Officers currently comprised 19 per cent of its staff, and some 80 per cent of National Professional Officers were women. The representative of UNICEF stated that 24 per cent of its international Professionals had started as National Professional Officers. In addition, the current nationality restriction for the National Professional Officer category resulted in other difficulties, such as refugees being unable to apply to National Professional Officer positions in their host countries. The representative of ITU stated that, while his organization was largely headquarters based, it had seen an increasing call for regional offices. Therefore, he supported broadening the use of National Professional Officers. WFP stated that its Board had requested the nationalization of as many posts as possible. International Professionals should be used where local staff could not be found or where their freedom of movement was restricted, or where mobility or other strategic considerations were important. Donors wanted to see more of their funding going to the programme beneficiaries.

33. The Commission noted that the National Professional Officer category was the fastest-growing staff category, reflecting its growing importance to the organizations. It recognized that the category provided an opportunity for nationals of programme countries to contribute to the development in those countries and to the building of the knowledge base of the organizations. The category was also growing in importance as a recruitment pool for the international Professional category in organizations such as UNICEF, UNHCR and UNFPA. While appreciating the importance of creating career development opportunities for all categories of staff, most members of the Commission were of the view that that did not provide the underlying rationale for the National Professional Officer category. Rather, such a rationale should be anchored in the work performed by that category of staff.

34. The Commission then considered various options for revisions to the National Professional Officer criteria. Most members of the Commission noted in that regard the proposal to rename the category from "National Professional Officer" to "Locally Recruited Professional". They did not see any compelling reasons for that and cautioned that it could be construed as creating a new category of staff. They also cautioned that it could be perceived as allowing the broad recruitment of non-nationals for National Professional Officer jobs, including spouses of international staff or staff from international non-governmental organizations. In their view, that would run counter to the intent of the category and could pose issues for Member States.

35. Some members of the Commission supported renaming the National Professional Officer category. They noted that in some regions of the world, given the relatively free movement of labour across countries, a strict limitation to nationals of each country needed reconsideration. In their view, the main difference between the categories of National Professional Officer and international

Professional was unrelated to the issue of nationality, but rather had to do with the difference in the recruitment modality, namely, whether staff were recruited internationally or locally, and that consequently their salaries were set on a different basis under the Noblemaire and Flemming principles, respectively. Nevertheless, while they were of the view that some distinction between the functions of the two categories was still required, renaming the category to "Locally Recruited Professional" would convey the message that all staff of the common system organizations were international civil servants working for international organizations.

36. Some members were of the view that the use of National Professional Officers should be seen in the context of providing organizations with the capacity to effectively and efficiently meet their mandates, and supported greater managerial discretion and flexibility in the use of the category. Efficiency related to costs was a valid consideration for the organizations and donor countries who wanted more of their contributions going towards programme beneficiaries rather than to staff-related costs. If National Professional Officers had the required skills, then the organizations should use such capacity, for example with regard to back-office functions. International Professionals could be recruited in situations where specific specialized knowledge or expertise that was not available locally was needed. In their view, the dogma that the recruitment of more National Professional Officers would lead to an erosion of the international character of the common system organizations should be reconsidered. The recruitment of national staff enhanced the international character of the common system organizations, as such staff represented the Member States in which they were recruited.

37. However, other members cautioned against reviewing the issue of the use of the National Professional Officer category purely in terms of economics. In their view, other considerations, including the need for national knowledge and the security of staff, were more relevant.

38. The Commission noted that the working group had not been able to agree on the issue of national content. To begin with, there was no agreed definition of what constituted national content. Most members of the Commission were of the view that all the work of the common system organizations was international in character. In their view, a strict limitation that National Professional Officers should only work on issues relating to the country of their employment was neither realistic nor desirable, as it raised the question of why they were employed by the United Nations common system and not by national institutions and organizations. Limiting National Professional Officers to working only on national issues would also prevent them from benefiting to the fullest extent from their employment in an international civil service.

39. Several members of the Commission noted that there was a concern that any flexibility in the use of the National Professional Officer category would result in organizations moving National Professional Officers from one country to another while still paying them local salaries. The Commission strongly disapproved of any such action but noted that there was no indication that that would be the case. However, the Commission also expressed the view that short-term assignments for National Professional Officers would allow such staff to gain international experience and exposure, which would prove useful in terms of developing their careers while also allowing the organizations to benefit from their knowledge and skills to meet any short-term needs.

40. Most members of the Commission agreed that the use of National Professional Officers should not be allowed in the headquarters duty stations. They noted that the work in the headquarters duty stations of the common system was often different from that in the field and was often more normative and policy-oriented. Given the

large number of international staff at those locations, which were in developed countries, it was not desirable to recruit large numbers of national staff and thereby negatively affect the diversity of those duty stations.

41. Most members of the Commission recognized the need for some flexibility in the employment of the National Professional Officer category. However, the Commission was also of the view that its guidelines should reflect the norm rather than being overly prescriptive with regard to any exceptions. The Commission then agreed to a set of guidelines for organizations using the category, as set out in annex II. In that regard, the Commission underscored the importance of the governing bodies of the common system organizations approving policy frameworks for the use of the National Professional Officer category, on the basis of the Commission's guidelines, that were best aligned to the mandates of their organizations.

General Service category

42. With regard to the General Service category, the Commission noted that some organizations had expressed the view that it had become difficult to distinguish between the work accomplished by staff in the higher levels of the General Service category and that of staff in the lower levels of the Professional category. The Commission noted that the development and fine-tuning of the global classification standard for the General Service category had taken a number of years. The goals in the development of the standard had been to simplify and combine the previously existing disparate classification standards at different duty stations. In addition, the standard had been designed to recognize that General Service work was becoming broader and more complex owing to the merging of previously separate career streams. As a result, General Service work under the Common Classification of Occupational Groups was now organized into 3 main groups, rather than into the 28 groupings that had existed previously. It was also recognized at that time that higher levels of knowledge and skills diversity were required to carry out functions once carried out by junior Professional staff. Many of the issues raised by the organizations had been addressed at the time of the development of the global classification standards. In addition, the available data did not seem to indicate any notable changes in the nature of General Service work. Therefore, the working group recommended that information on the implementation of the global job classification system as it was applied to the General Service category should be sought from the organizations. The Commission agreed that that was a necessary step in order to obtain understanding of any changes that might have occurred in the nature of work in that category since the promulgation of the classification standards in 2010.

43. The Commission also noted the working group's deliberations with regard to career development issues. In that regard, it noted that the development of a single grading structure covering General Service and Professional categories was a complex undertaking, and it was not clear that any such development would be a panacea for issues of career progression between categories. The progression of General Service staff into the Professional categories also needed to be weighed against the need to bring in young talent through external recruitment at the lower levels of the Professional categories. Indeed, the whole issue of career development merited consideration by the Commission. Therefore, the organizations should continue to develop career development programmes within the current structure of separate categories.

Field Service category

44. With regard to the Field Service category, the Commission noted that broad support for the need of the category was expressed during discussions at its eighty-fourth session. At that session, the representative of the United Nations had stated that the category was indispensable for successful mandate implementation in peacekeeping operations. However, there was a need to bear in mind the evolution in peacekeeping operations since 1949. One of the principal elements of peacekeeping was the need for rapidly deployable staff capacities with the institutional knowledge, skills and expertise to be immediately operational when required and to provide specialist support to deployed military and police personnel in peacekeeping missions. Another important aspect was to ensure an international cadre of staff that was able to perform functions that required freedom of movement, impartiality and the handling of sensitive information, or functions that entailed risks to the United Nations and/or its local staff.

45. The functions and level of responsibilities in the Field Service category corresponded to those in the General Service category (FS-5 and below) and the Professional category (FS-6 and FS-7). With regard to the question of converting the higher FS-6 and FS-7 levels to the international Professional category during a specified transitional period, the working group generally agreed that that might close the door for the promotion of lower-level Field Service staff to those levels. However, some participants welcomed the intention of the United Nations Secretariat to consider the conversion of functions in administration, human resources and finance from FS-6/FS-7 to P-3/P-4 positions over time.

46. Given the similarities in the nature of work in the Field Service category with those in the General Service and Professional categories, the Commission agreed that those classification standards could be used to evaluate Field Service jobs. Nevertheless, there was a need to review the established correspondence between the Field Service and General Service and international Professional grades.

47. The Commission was of the view that the recommendations of the working group addressed the broad issues relating to the Field Service category. The Commission therefore supported the criteria for the use of that category as proposed by the working group.

Decisions of the Commission

48. The Commission decided to:

(a) Recommend to the General Assembly the guidelines for the use of the National Professional Officer category, as set out in annex II;

(b) Recommend to the Secretary-General of the United Nations that:

(i) Jobs in the Field Service category should be graded on the basis of the General Service and Professional job classification standards approved by the Commission;

(ii) The United Nations and organizations using the Field Service salary scales should confirm, in consultations with the ICSC secretariat, the correspondence between the Field Service grades and the General Service and Professional grades;

(iii) The criteria for use of the Field Service category, in any function and grade level, as set out in annex III, should be adopted;

(c) Request the ICSC secretariat to seek information on the rate of implementation by the common system organizations of the global classification

standard for the General Service category and present the information at its eighty-seventh session.

B. Study on performance management and proposals on performance incentives

49. At its eighty-fifth session, the Commission considered the requests of the General Assembly, as contained in its resolution 70/244, to, inter alia:

(a) Conduct a study on the performance management schemes in the common system organizations and to formulate recommendations on performance incentives based on merit that are not related to cash awards, such as the possibility of accelerated step increments, and review its recommendations contained in annex III to its report for the year 2015 (A/70/30) in the light of its findings and to report thereon no later than the seventy-second session of the Assembly;

(b) Conduct a detailed study on the budgetary and administrative arrangements necessary for the establishment of a cash reward system, including funding, oversight and accountability mechanisms, and to report thereon no later than the seventy-second session of the Assembly.

50. The secretariat had sought additional information from the United Nations common system organizations to supplement the earlier information that had been gathered during the course of the comprehensive review of the compensation system. Given that a relatively short span of time had elapsed since the Commission's recommendations to the General Assembly, it was noted that no major changes had occurred with respect to the area of performance recognition and rewards.

51. However, two revisions to the recognition and rewards framework were proposed for consideration by the Commission with regard to the reintroduction of an overall budgetary cap on rewards and recognition schemes and individual cash awards.

Discussion in the Commission

52. The representative of the Human Resources Network of CEB stated that the organizations paid great attention to improving performance management practices. A working group on the subject had met recently to discuss progress, experiences and lessons learned. In considering the issue, all aspects, including the management of underperformance, needed attention. Some organizations with well-established performance management practices had implemented comprehensive performance rewards procedures, given that a certain maturity of the performance management system was an important requirement. Nevertheless, the interest of organizations in the subject was growing, and the organizations welcomed the findings. He recalled that one of the rationales for slowing down the periodicity of step increments had been to free resources that could be channelled into the funding of performance rewards. He also noted that, based on prevailing external practices, a budget envelope of up to 1.5 per cent of staff cost was proposed, subject to the decisions of the responsible governing bodies.

53. The representatives of the staff federations noted that the issue had to be put into context: most organizations did not provide managers with the most effective performance management tool, which was promotion. In addition, the introduction of biennial steps had generated huge savings, which had be returned to staff. In the view of the staff federations, promotions, together with accelerated increments, allowed for a long-term investment by staff and management in performance

management, while cash bonuses were a very short-term approach. The latter depended on an effective performance measurement system, and there was little evidence of staff confidence in that regard. Moreover, measuring performance across the organization raised difficulties related to differences in functions (e.g., comparing interpreters with logistics experts or statisticians). In addition, bonuses did not fit the culture of the United Nations, which needed teamwork and political discretion.

54. The representative of WFP stated that the proposed budget cap should be seen as a guide. His organization had in place a robust performance appraisal system. However, when designing performance recognition and rewards systems, it was important to ensure that a culture of entitlement was not fostered with regard to rewards. The representative of WIPO added that her organization had started with a small programme some five years ago. Since then, a significant positive shift in attitude had been noted with regard to the programme. The representative of UNFPA stated that, while his organization was interested in "pay for performance", no further movement in that area was expected given the funding issues facing his organization. He also pointed out that the mandates of some organizations might lend themselves more easily to the pay for performance concept. Moreover, the performance appraisal systems of the organizations were at different stages of maturity.

55. The Commission recalled that, during the course of the recent comprehensive review of the compensation system, a working group had been established on performance incentives and other human resources issues to propose, inter alia, revisions to the existing performance recognition and rewards framework, which had been last revised in 1997. On the basis of those proposals and subsequent discussions, the Commission had agreed on the set of measures relating to the area of performance management, including a revision of the step increment periodicity, as submitted to the General Assembly in 2015.

56. Several Commission members recognized that the issue of career development opportunities was a challenge in many of the common system organizations. The situation was different from that in some national civil services, where there were relatively greater opportunities for career progression. In addition, several members noted the general situation with regard to the inadequate opportunities for training and development as they related to career development.

57. Other Commission members, while recognizing the issues of training and career development in the common system, were of the view that the issues of performance and promotions were separate. Exceptional performance in one grade should not be seen as an indicator of potential performance at a higher grade. Candidates should be judged against the particular competencies and other skills and qualifications required at each grade for each job, which was the basis of the rank-in-post system in the common system. In addition, the General Assembly had expressed its preference in the United Nations Secretariat for a recruitment system whereby all positions were open to both external and internal candidates without distinction between the two groups in terms of priority for consideration.

58. The proposals submitted by the Commission to the General Assembly recognized the need for flexibility in the area of performance management. Such flexibility was highly desirable, given the differing strategies and cultures in the organizations of the United Nations common system (see resolution 52/216, sect. III.B).

59. Some Commission members noted that the efforts of the organizations in the area of performance management continued in the right direction, in spite of the relatively slow pace of progress since 1997. Several members recognized that each

organization was different in terms of its culture and requirements. Members of the Commission recognized that the issue of performance management and recognition of performance was a difficult area. The work of some organizations might be more conducive to the introduction of both team- and/or individual-based rewards than other organizations. Furthermore, differences in funding sources and the budgetary situation of organizations needed to be recognized. There was general agreement, therefore, that it was not desirable to require all organizations to implement cash rewards programmes.

60. The Commission noted that the proposals it had recommended to the General Assembly in 2015 included provisions for team- and individual-based recognition and rewards, both cash and non-cash, and guidelines for dealing with underperformance, which was an important area. The list of non-cash awards was not intended to be exhaustive, and organizations could introduce such awards as they saw fit. While some members supported the use of accelerated step increments to incentivize performance and expressed the view that the issue merited further consideration, most members of the Commission noted that such use entailed ongoing rewards and were pensionable, as seen in the example in annex IV. The Commission had arrived at the same conclusion in the past, including during the comprehensive review of the compensation system (see A/70/30, para. 269). As a result, the use of such increments had not been included in the proposed framework for recognition and reward programmes.

61. The Commission noted that organizations that wished to implement recognition and rewards systems would need to seek stable funding through their normal budgetary processes. In that regard, the Commission considered the proposed reintroduction of an overall 1.5 per cent budgetary cap on the cost of cash and non-cash rewards and noted the current expenditure of some of the organizations reporting such figures, as shown in annex V. The Commission as a whole expressed the view that the introduction of the 1.5 per cent overall cap was useful, as it would provide a budgetary control mechanism within the recognition and rewards framework. The Commission stressed that it was an overall cap within which organizations could design their own programmes based on their particular needs and circumstances.

62. The Commission also considered a revision to its proposal on individual awards. The original proposal submitted in 2015 to the General Assembly had provided guidance to the organizations that individual cash awards should be in the form of flexible amounts in the range of 5 to 10 per cent of net base salary. The issue arose as to whether it could be interpreted that the Commission's intent was to introduce a floor amount with regard to cash awards, which was not the case. A question arose as to whether more robust cash award amounts would have a greater impact on performance. However, in order to avoid any issues of perception and maintain some flexibility, the Commission considered it prudent to rephrase its guidance in that regard and specify that the cash awards should be in the form of flexible amounts of up to 10 per cent of net base salary.

63. The Commission recognized the fundamental importance of the role of managers in any successful performance management system. The Commission noted that the set of measures it had proposed to the General Assembly was aligned to best practices in the area of performance management, including a training programme for managers and guidance relating to performance appraisal that recognized the importance of ongoing engagement between staff members and their managers in appraising performance over a given period. In addition, the framework encouraged the establishment of performance review bodies to ensure that performance ratings were applied objectively and accurately, which provided an important administrative control mechanism.

64. It was generally recognized that progress in the area was ongoing and continuing in the right direction, as shown by the renewed interest of some organizations. Over the years, several organizations, including UNOPS, IFAD, UNIDO, IAEA and WIPO had implemented recognition and rewards programmes of varying scope. According to the information provided by the organization, ICAO had also recently implemented such a programme. Given the importance of the subject, the Commission would continue to follow developments in the area on a regular basis.

Decisions of the Commission

65. The Commission decided to reaffirm its earlier recommendation to the General Assembly with regard to the proposed principles and guidelines for performance appraisal and management for the recognition of different levels of performance (see A/70/30, annex III), with the following additions:

(a) An overall budgetary cap for cash and non-cash awards not to exceed 1.5 per cent of an organization's projected remuneration costs (i.e., net remuneration for staff in the Professional and higher categories, and salaries for the General Service and related categories);

(b) A limit of up to 10 per cent of net base salary (in the case of international staff in the Professional and higher categories, without post adjustment) for individual cash awards.

66. The revised proposed principles and guidelines for performance appraisal and management for the recognition of different levels of performance are set out in annex VI of the present report.

67. The Commission also decided that the organizations should use the measures in annex VI as guidelines, subject to their approval by the General Assembly, and urged the organizations to continue their efforts in the area of performance management with a view to improving organizational performance as a whole.

C. Review of pensionable remuneration: grossing-up factors, income inversion and options for updating pensionable remuneration based on the unified scale and for ungraded officials

Eighty-fourth session

68. The Commission initiated a review of pensionable remuneration and reviewed a document which described the methodology for establishing pensionable remuneration, as adopted by the General Assembly in resolution 41/208, and the evolution of the elements involved. A preliminary list of issues identified in consultation with the secretariat of the United Nations Joint Staff Pension Fund as well as a road map for the review were considered. The proposed road map provided for completing the exercise by the Commission's eighty-seventh session, keeping the United Nations Joint Staff Pension Board duly informed of the progress and reporting on the outcome to the Assembly at its seventy-third session.

Discussion in the Commission

69. The Human Resources Network stressed the need for a diligent review of the issues and their thorough actuarial analysis before decisions were reached so as to avoid any negative impact on the sustainability of the Pension Fund. The Network generally agreed with the proposed list of issues for consideration. It further stated that a careful analysis of all scenarios for modifying the pensionable remuneration

methodology should be conducted in close cooperation with the secretariat of the Pension Fund and its participating organizations, with the interim adjustment of the present scale applied in the meantime. The Network favoured administrative simplification, but was open to assessing proposed options for calculating the pensionable remuneration. However, any unintended consequences should be avoided and the acquired pension rights of currently serving staff members should be fully respected. Finally, the Network was not entirely convinced that another comparability analysis of the United Nations pension scheme and the Federal Employees Retirement System scheme of the United States of America was necessary at the present stage, given that a similar study was conducted not long ago.

70. CCISUA and UNISERV agreed with the proposed list of issues and the road map, but cautioned that the review should not affect the acquired rights of staff. FICSA questioned whether it was necessary to conduct a full comparability study. In addition, FICSA, supported by CCISUA and UNISERV, favoured a careful and cautious review, especially for the Professional category, given the changes to the compensation package. FICSA stated that it preferred a periodic recalculation of the pensionable remuneration scale, as was the practice with the General Service category, and that grossing-up should be done by including the spouse allowance in net remuneration. It was the opinion of CCISUA that further analysis was necessary with regard to whether to include spouse allowance and use the dependency rate of staff assessments or to use the single rate of staff assessments in the calculation of pensionable remuneration for staff in the Professional category. UNISERV called for the consideration of the concerns of the field staff, who generally had shorter service with the organizations and faced relative disadvantages regarding their pensions. FICSA also questioned whether the salary scale overlap contributed to the income inversion.

71. The Commission recalled its decision from the previous review that some of the issues relating to pensionable remuneration would be monitored and periodically re-examined. It also recalled its intention to examine all such matters in a comprehensive manner after the adoption of the new compensation package for staff in the Professional category.

72. The Commission observed that the move to the unified salary scale was a new element of the review and that, while most other issues had been considered before, they nevertheless required revisiting. On the issue of income inversion, the Commission identified two major elements that contributed to income inversion: the different grossing-up factors used in the calculation of pensionable remuneration for the General Service and the Professional categories, and the different rates of staff assessment. While it recognized those reasons, the Commission believed that they should be reviewed. It was also agreed that the common scale of staff assessment needed to be updated to reflect developments with reference to national taxation. The view was also expressed that the weighting procedure should be considered as part of the review of staff assessment rates.

73. With regard to the other proposed items, the Commission noted the proposal to conduct a new comparability study between the United Nations pension scheme and the United States Federal Employees Retirement System scheme at the initial stage of the review. While generally supporting the study, some members questioned its timing. Recalling that the prior study had found those benefits schemes to be comparable, the Commission agreed to conducting the study at a later stage of the review, taking into account the impact of any changes affecting the pensionable remuneration.

74. The representative of ICAO requested that the procedure for calculating the pensionable remuneration of ungraded officials under the revised compensation package be added to the list. The Commission agreed that the matter would be considered as part of the broader subject of recalculating the pensionable remuneration on the basis of the unified scale.

75. The ICAO representative also suggested that consideration be given to the review of pension benefits of senior staff affected by contract term limitations. The Commission pointed out that the matter did not relate to the review of pensionable remuneration and was outside its purview, and suggested that the request be addressed to the secretariat of the Pension Fund.

76. Members noted the potential long-term impact of the review on many features of the pension system, including the level of contributions to the Pension Fund, the subsequent pensions of staff and the actuarial situation of the Pension Fund. It was therefore important that all of the Commission's decisions and recommendations be made on the basis of sound, thorough and comprehensive analysis while clearly identifying all administrative, financial, actuarial and other implications. Accordingly, close consultation with the secretariat of the Pension Fund throughout the process was key to a successful outcome. The Commission also indicated that the review would be conducted without prejudice to the acquired rights of current staff.

77. The Commission expressed its general agreement with the proposed list and the road map for the review. It further agreed that various approaches should be carefully elaborated, with their potential implications assessed to the extent possible. The total financial implications would then be aggregated and examined at the final stage of the review. In the light of the scope and complexity of the review, the Commission recognized the need for the creation of a working group.

Decisions of the Commission

78. The Commission approved the following items to be considered under the review of pensionable remuneration:

(a) Income inversion (a phenomenon whereby the pensionable remuneration of General Service staff was higher than that of Professional staff at the same net income level);

(b) Revision of the scale of pensionable remuneration for Professional staff using the interim adjustment procedure or the recalculation of the scale using the approved methodology, including the procedure for calculating the pensionable remuneration of ungraded officials;

(c) Options for recalculating pensionable remuneration for Professional staff under the revised compensation package;

(d) Review of the grossing-up factors applied to Professional and General Service categories;

(e) Update of the common scale of staff assessment;

(f) The conducting of a comparability study between the United Nations pension scheme and the United States Federal Employees Retirement System pension scheme.

Eighty-fifth session

79. In accordance with the approved road map, the Commission considered the grossing-up factors used in the methodology applicable to the Professional and

General Service categories, the income inversion phenomenon and options for recalculating the pensionable remuneration scale of Professional staff and ungraded officials based on the unified salary scale.

80. With regard to the grossing-up factors, the Commission had before it a number of proposals for adjustment, taking into account relevant changes in the common system since those factors had been established, including the increases in the mandatory age of separation and in the maximum pension benefit accumulation rates and the relative difference in the average length of service between Professional and General Service staff.

81. Two options for changing the calculation of pensionable remuneration were presented to account for the elimination of the dependency rate of salary for Professional staff, which had served as a reference in the calculation of pensionable remuneration before the unified salary scale structure was introduced. Under the first option, the spouse allowance would be added to net remuneration to create the starting point for the calculation, which would provide for the continued use of the dependency rates of the common scale of staff assessment. Under the second option, the calculation would be based on the unified salary scale rates only, with the single rates of the common scale of staff assessment to be applied to both categories of staff.

82. The increase in the number of steps at the D-2 level from 6 to 10 in the unified salary scale resulted in a need to review the formula for calculating the pensionable remuneration of ungraded officials, which had been based on the top step of the D-2 level. The two options to account for that change were either maintaining the reference to the new, higher top step, and allowing for some minor increases in the resulting amounts, or maintaining the levels of pensionable remuneration and adjusting the calculation formula to achieve that goal.

83. The Commission was presented with a preliminary analysis of income inversion. The results showed that, while it was imbedded in the calculation formulae for the Professional and General Service staff, the actual cases in which income inversion could potentially occur (i.e., when Professional staff retired at grades and steps where their pensionable remuneration overlapped with that of their colleagues in the General Service category) continued to remain relatively small.

Discussion in the Commission

84. The Human Resources Network welcomed the information and options presented but expressed the view that additional analysis was necessary to ascertain the potential effect of the contemplated changes on the contributions of staff and the organization, as well as the impact on the United Nation Joint Staff Pension Fund. The Network favoured the establishment of a working group, with the participation of organizations and staff federations, to review the proposals and their consequences in greater detail and in a comprehensive manner. It also favoured maintaining the current formula for the calculation of pensionable remuneration of ungraded officials until the Commission decided on all other elements pertaining to the pensionable remuneration for Professional staff.

85. Staff federations supported the establishment of a working group to further analyse the proposals and their practical implications. CCISUA expressed a preference for the use of the same grossing-up factors for both categories of staff, and the inclusion of the spouse allowance and the continued use of dependency rates of staff assessment for the calculation of pensionable remuneration of Professional staff.

86. While members exchanged some preliminary views on the options presented, a strong preference was expressed for using the unified salary scale alone, without the addition of the spouse allowance, as a starting point for establishing the pensionable remuneration in view of the recent decisions of the General Assembly on the revised salary structure. Most members believed, however, that more research was needed to decide on the viability of the options.

87. The Commission recognized the complexity of the matters involved and the interdependence of the various elements considered. While noting the relative advantages and disadvantages of the options presented, the Commission found it premature to pronounce on any of them at the present stage. It believed that a further holistic analysis of all the options, in conjunction with the review of the common scale of staff assessment, was necessary in order to arrive at balanced and comprehensive decisions.

88. In addition, the Commission considered it important that, when developing the revised pensionable remuneration scale, the potential impact of the proposed changes in other related areas also be taken into account, such as financial and actuarial implications for the Pension Fund or the possible adjustment of pension contributions. In that regard, the input from the secretariat of the Pension Fund would be useful.

89. The Commission decided on the creation of a working group that would be tasked with exploring further all of the options proposed, in close interrelationship with the review of the common scale of staff assessment. The working group should conduct the necessary analysis, produce simulations and assess the proposed changes in a comprehensive manner and report its findings to ICSC.

Decisions of the Commission

90. The Commission decided to:

(a) Establish a working group, with the participation of Commission members, representatives of the organizations and staff federations, to be supported by the ICSC secretariat in coordination with the secretariat of the United Nations Joint Staff Pension Fund;

(b) Request the working group to pursue further all the options proposed with regard to the grossing-up factors and the alignment of pensionable remuneration with the revised salary structure, in close interrelationship with the review of the common scale of staff assessment, and to report its findings to the Commission at its eighty-sixth session.

Chapter IV
Conditions of service in the Professional and higher categories

A. Base/floor salary scale

91. The concept of the base/floor salary scale was introduced, with effect from 1 July 1990, by the General Assembly in its resolution 44/198 (sect. I.H, para. 1). The scale is set with reference to the General Schedule salary scale of the comparator civil service, currently the federal civil service of the United States. Periodic adjustments are made on the basis of a comparison of net base salaries of United Nations officials at the established reference point of the scale (P-4, step VI) with the corresponding base salaries of their counterparts in the United States federal civil service (step VI in grades GS-13 and GS-14, with a weight of 33 per cent and 67 per cent, respectively).

92. A 1 per cent increase in the base General Schedule scale of the comparator civil service was implemented with effect from 1 January 2017. In addition, changes with respect to tax rate schedules and deduction amounts were introduced for 2017. At the federal level, the income brackets were increased by almost 1 per cent and the income limit on itemized deductions went up by $2,500. For the District of Columbia, the standard deduction increased by $1,925. There were no changes registered for the tax legislations of the States of Maryland and Virginia in 2017.

93. In order to reflect the movement of gross salaries under the General Schedule and the tax changes in the United States, and to maintain the common system salaries in line with those of the comparator, an increase of 0.97 per cent in the base/floor salary scale with effect from 1 January 2018 was proposed. In addition, in accordance with General Assembly resolution 70/244 (sect. III.1, para. 9 (a) and (b)), the adjustment to the salary scale should also be applied to the pay protection points for staff whose salaries were higher than those at the maximum steps of their grade upon conversion to the unified salary scale. The proposed salary scale and pay protection points are shown in annex VII to the present report.

94. The annual system-wide financial implications resulting from an increase in the base/floor salary were estimated as follows:

(United States dollars)

(a) For duty stations with low post adjustment where net salaries would otherwise fall below the level of the new base/floor	0
(b) In respect of the scale of separation payments	421 000

Discussion in the Commission

95. The Human Resources Network took note of the proposal. The representatives of the staff federations, noting the increase in the comparator civil service base salaries, supported an increase in the base/floor salary scale.

96. The Commission noted that an increase in the base/floor salary of 0.97 per cent as at 1 January 2018 would be implemented through the standard no-loss/no-gain procedure (i.e., by increasing the base/floor salary scale and commensurately decreasing post adjustment multipliers). The Commission also took note of the proposed adjustment of the pay protection points, in accordance with resolution 70/244. Finally, the Commission recalled that, while generally cost neutral in terms of net remuneration, the base scale adjustment procedure would have implications in respect of separation payments, as indicated in the table above.

Decision of the Commission

97. The Commission decided to recommend to the General Assembly, for approval with effect from 1 January 2018, the revised unified base/floor salary scale as well as the updated pay protection points for the Professional and higher categories, as set out in annex VII to the present report, reflecting a 0.97 per cent adjustment, to be implemented by increasing the base salary and commensurately decreasing post adjustment multiplier points, resulting in no-loss/no-gain in net take-home pay.

B. Evolution of the United Nations/United States net remuneration margin

98. Under a standing mandate from the General Assembly, the Commission reviews the relationship between the net remuneration of United Nations officials in the Professional and higher categories in New York and that of United States federal civil service officials in comparable positions in Washington, D.C. For that purpose, the Commission tracks, on an annual basis, changes occurring in the remuneration levels of both civil services. In addition, in its resolution 71/264, the Assembly requested the Commission to include information on the development of the margin over time in an annex to its annual reports.

99. As at 1 January 2017, the comparator civil service implemented a 2.88 per cent increase in the General Schedule in the Washington, D.C., locality, consisting of a 1.0 per cent increase in base salaries and an increase in the locality pay from 24.78 to 27.10 per cent. Other developments relevant to the comparison were:

(a) Revisions to the federal tax brackets and the income limit on itemized deductions, as well as to the standard deduction for the District of Columbia, which resulted in a slight reduction in overall income taxes in the Washington, D.C., metropolitan area;

(b) Implementation of a new salary scale as at 1 January 2017, as part of the revised compensation package for the Professional and higher categories, which superseded a system of dual salary rates (see resolution 70/244, sect. III.1);

(c) Application of a new procedure, approved by the General Assembly in 2015, enabling the Commission to manage the margin more actively, whereby, if the margin trigger levels of 113 or 117 are breached, appropriate action should be taken by the Commission through the operation of the post adjustment system (see resolution 70/244, sect. II.B). Such action was required in February 2017, resulting in the revision of the post adjustment multiplier for New York from 63.2 to 66.1 in order to prevent the margin level from falling below the 113 trigger point. Consequently, a post adjustment multiplier of 63.2 for January 2017 and a multiplier of 66.1 for February to December 2017 were used for the calculation of the margin.

100. In the calculation of the margin, an adjustment was made for the difference in the cost of living between New York and Washington, D.C. A cost-of-living differential of 113.8, estimated by an external consultant in 2016 for a period of two years, was used according to the established procedure.

101. At the time of the revision of the post adjustment multiplier, the margin level of 113.0 was calculated on the basis of United States federal civil service personnel statistics as of December 2015. Updated personnel statistics were received from the United States Office of Personnel Management at a later stage, which resulted in the recalculation of the margin level.

102. On the basis of the above, the Commission was informed that the estimated net remuneration margin for 2017 amounted to 113.4. The details of the comparison and

information on the development of the margin over time are shown in annex VIII to the present report.

Discussion in the Commission

103. The representatives of the Human Resources Network and the staff federations took note of the findings of the latest margin comparison. The representative of CCISUA was of the view that equal emphasis should be placed on bringing the margin level to 115, now that it was below the desirable midpoint, and not only when it was above.

104. The Commission noted that the updated margin had been estimated on the basis of the latest statistics available at the time of consideration. It was agreed that, should further data updates become available, a revised margin estimate would be presented to the General Assembly during the introduction of the Commission's annual report.

105. Finally, the Commission noted that, although the range of 110 to 120 continued to apply, the 2017 margin was close to the lower trigger point of 113. It noted the continued need to monitor the margin and the likelihood of action being required in 2018 to manage the margin through the operation of the post adjustment system, should the salary movement in the comparator service outpace that of the common system.

Decisions of the Commission

106. The Commission, noting that its Chair would provide an updated margin estimate to the General Assembly, as might be required based on the availability of the most recent staff statistics, decided to:

(a) Report to the Assembly that the margin between the net remuneration of United Nations officials in the Professional and higher categories in New York and that of officials in comparable positions in the United States federal civil service in Washington, D.C., was estimated at 113.4 for the calendar year 2017;

(b) Request its secretariat to continue to monitor the margin level so that corrective action could be taken as necessary through the operation of the post adjustment system should the trigger levels of 113 or 117 be breached in 2018.

C. Post adjustment issues

107. Pursuant to article 11 of its statute, the Commission continued to keep under review the operation of the post adjustment system, and in that context considered two reports of the Advisory Committee on Post Adjustment Questions on its work at its sessions held in February and June 2017. The second report addressed primarily the outcome of the special price survey conducted by the secretariat in Brussels and its application to the results of pending cost-of-living surveys at headquarters duty stations, for which price data collected under the European Comparison Programme, rather than by the ICSC secretariat, are used in post adjustment index calculations. The report also included the proposed agenda of the Advisory Committee's fortieth session.

108. The Commission also had before it three documents. The first was a document prepared by Geneva-based organizations on considerations with regard to cost-of-living surveys and post adjustment matters, and the legal and managerial implications of the negative results of the cost-of-living survey for Geneva conducted in 2016. That document included an annex containing a report of the findings of a team of four statisticians (two from ILO, one from UNCTAD and a

consultant, referred to in the present report as the "Geneva statisticians"), with regard to various methodological issues pertaining to the post adjustment system, as well as the secretariat's application of that methodology in calculating the post adjustment index for Geneva. The second document was a response prepared by the secretariat addressing the issues raised by the Geneva statisticians. The third was a note prepared by the staff federations that also dealt with issues related to the post adjustment methodology and operational matters. As an indication of the critical importance of the issues before the Commission, the session was attended by a high-level delegation representing various organizations based in Geneva, including the Director-General of the United Nations Office at Geneva, the Director General and Deputy Director General of ILO, the Assistant Director General of WHO and the Director of Resource Management of WMO as well as the Directors of the human resources departments of many common system organizations.

Discussion in the Commission

Issues pertaining to the post adjustment methodology and its application to the baseline cost-of-living surveys for 2016 at headquarters duty stations and Washington, D.C.

109. Speaking on behalf of Geneva-based organizations, the Director-General of the United Nations Office at Geneva and the Director General of ILO stated that the negative outcome of the Geneva survey, during a period of perceived increase in the cost of living at the duty station, was evidence of potential problems with the methodology, as reported by the Geneva statisticians. They stressed that the implementation of the survey results, especially following salary reductions emanating from the recently completed review of the United Nations common system compensation package, would have a severely negative impact on staff morale and the management of human resources. They advocated for the reinstatement of the 5 per cent augmentation of severely negative survey results provided for by the gap closure measure, which was discontinued prior to the launch of the round of surveys for 2016, as a mitigation measure against the negative impact on staff salaries of the many changes introduced to the post adjustment system methodology for that round of surveys. They mentioned that a number of organizations had decided not to implement the new survey results, which would inexorably lead to differentiated compensation for staff depending on their employing organization, a situation that was certainly not desirable. They also highlighted the managerial, legal and technical issues related to the implementation of the survey results for Geneva. Since it was the view of the Geneva-based organizations that the methodology as applied to the post adjustment index for Geneva violated the principles of stability, predictability and transparency, the implementation of the survey results, without correction, would undermine the effectiveness of the work of the organizations in Geneva as well as in other similarly affected duty stations such as Rome and Madrid, and might subject organizations to significant risks of legal liability if a large number of appeals were brought by staff against them. That might in turn lead to a lack of confidence in the future role of the Commission. They added that, while organizations operated within the common system and relied on it for the determination of the conditions of service of its staff, those organizations nevertheless had an obligation to act in a transparent manner and to ensure the validity of the salary-setting methodology and rules of implementation. They suggested that the Commission postpone the implementation of survey results until the methodological issues raised by the Geneva statisticians were resolved.

110. The representative of CEB expressed deep concern about the first-time application of methodology changes combined with new operational implementation

rules, and its unintended consequences not only for headquarters duty stations but also potentially for field duty stations worldwide. Considering that organizations had only an advisory role in the post adjustment process but the responsibility to legally defend ICSC decisions when needed, the representative pointed out that the rules of jurisprudence of the International Labour Organization Administrative Tribunal required executive heads of agencies under its authority to verify the legality and concrete organizational implications of ICSC decisions before their promulgation. Organizations therefore needed the ICSC to explain results in a degree of detail that could withstand legal scrutiny. The Human Resource Network of CEB acknowledged that the technical nature of the matters required building further internal expertise in order to be able to scrutinize or make proposals that combined the necessary technical and legal angles at earlier stages of the deliberations. It requested ICSC to rescind its decision to abolish the 5 per cent augmentation of severely negative results in the gap closure measure, which the Network had originally supported, given that the recent discussions had highlighted that non-sampling errors of such magnitude were always possible.

111. The representatives of the three staff federations stated that they recognized the mandate of ICSC and its important work, adding that the statistical methodology underlying the post adjustment system and its application was not an exact science and so there was a certain degree of subjectivity that influenced survey results. They stated that the post adjustment system needed to be transparent, stable and predictable, but that it was difficult to convince staff that the methodology, which resulted in such a negative impact on salaries for Geneva, met the above criteria. They requested that the Commission freeze salaries at April 2017 levels and review the calculation of results under the current methodology with the aid of the organizations' experts to affirm the results. Otherwise, the implementation of the survey result in its current form would lead to litigation. They also called for a review by independent experts of the methodology underlying the post adjustment system and a reinstatement of the 5 per cent augmentation of severely negative survey results in the gap closure measure. They also suggested that the Commission institute a formal review mechanism of all cost-of-living surveys aimed at increasing transparency, accountability and access to data and information by all interested stakeholders.

112. The ICSC Chair stated that the Commission's decisions had implications for the entire common system, adding that the present issues regarding the post adjustment in Geneva were essentially a repeat of similar situations in the past, exclusively related to Geneva. He recalled General Assembly resolution 38/232, which had led to a freeze of salaries throughout the common system in response to the non-application of a post adjustment index that was significantly lower than the prevailing pay index for Geneva at the time. The Chair also recalled Assembly resolution 44/198, in which the Assembly requested the Commission to devise appropriate measures to deal with those duty stations where, upon implementation of a place-to-place survey, there existed a significant difference between the post adjustment index and the actual multiplier. With regard to the report of the Geneva statisticians, the main point of contention was the housing component, but for that component, and indeed for all other components of the post adjustment index, he stressed that the approved methodology had been correctly applied by the secretariat. As to the institution of an early warning system with regard to major changes, proposed by some speakers, he noted that in the past six years the post adjustment index of Geneva had remained consistently lower than its pay index, and that measures should be considered to prevent such a gap from accumulating for so long, perhaps by instituting annual reviews of the post adjustment multiplier and adjusting them up or down, rather than the current system of adjusting only upward, for salary increases, but freezing when the adjustment indicated salary reductions.

113. With regard to the claim of a lack of transparency in the post adjustment process, Commission members pointed out that the post adjustment system was the most transparent salary adjustment system run by any Member State or comparator organization, such as the European Commission, the Coordinated Organizations or the World Bank. In particular, it allowed for stakeholder scrutiny and participation, including stakeholders who stood to benefit from the results produced. For instance, for the baseline surveys for 2016, representatives of organizations and staff federations attended sessions of the Advisory Committee on Post Adjustment Questions and the Commission and participated in the discussions, and were fully aware of the considerations that led to the Advisory Committee's recommendations and the Commission's decisions. Stakeholders identified the outlets from which price data were collected, and were responsible for the overall coordination and management of the entire survey process, including the recruitment of local experts to facilitate price data collection and the appointment of monitors to observe the price data collection exercise. They appointed statistical experts to review the analysis of the survey data conducted by the secretariat and present their findings to the Advisory Committee prior to the results being finalized. In the light of that level of stakeholder participation and scrutiny, the Commission expressed surprise at the claims by Geneva-based organizations and staff federations of a lack of transparency.

114. An independent expert in price statistics, who was also a member of the Advisory Committee on Post Adjustment Questions, was invited to attend the session to provide his insights on the issues under discussion. He stated that the view expressed by the Geneva statisticians, namely, that the indices calculated by the secretariat for the rent and domestic service components were not statistically valid or lacked meaning, were based on a fundamental misunderstanding of the distinction between temporal and spatial indices. He stated that the theoretical formulae for those indices had been developed primarily for use in temporal indices designed for macroeconomic applications. They had, over the years, been adapted for the development of spatial indices for microeconomic applications. Therefore, "rules" requiring the use of expenditure weights did not necessarily apply to spatial indices and, in particular, might not be valid for the post adjustment index. He added that most of the work on developing spatial indices was directed at macroeconomic comparisons such as those used in the International Comparison Programme and in the European Comparison Programme, where the main purpose was to compare national gross domestic product (GDP) and per capita GDP between countries. The post adjustment index, on the other hand, was about staff households, not the entire economy. He cited the harmonized index of consumer prices used by the United Kingdom of Great Britain and Northern Ireland as an example of a situation for which the use of quantity weights was more appropriate than that of expenditure weights.

115. The secretariat provided a summary of its response to the findings of the Geneva statisticians, in essence demonstrating that the methodology underlying the post adjustment system was not only statistically valid and fit for purpose, but was implemented faithfully by the secretariat in deriving the results of the baseline cost-of-living surveys for 2016 at headquarters duty stations and in Washington, D.C. In particular, it concurred with the views expressed by the independent expert regarding the use of quantity weights versus expenditure in the calculation of the rent index. The example of the harmonized index of consumer prices used by the United Kingdom provided by the independent expert clearly demonstrated that there were situations in which the use of quantity weights was more appropriate than expenditure weights. The calculation of the post adjustment index was one such situation. Whereas the use of expenditure weights could be considered optimal for macroeconomic applications, it could be seriously biased if applied in contexts,

such as the post adjustment index, that attempt to measure inflation experienced by households.

116. With regard to the apparent inconsistency between the rent indices produced by the statistics office of the Geneva Canton and those based on the data of the International Service for Remunerations and Pensions, which serviced the Coordinated Organizations under the auspices of the Organization for Economic Cooperation and Development, the secretariat pointed out that it should not be surprising, again because the statistics office of the Geneva Canton produced a temporal index measuring rent inflation over time for Geneva, but International Service for Remunerations and Pensions data were used to estimate spatial indices, measuring the parity of rents between Geneva and New York. It was therefore possible for rental prices in Geneva to show an upward trend while the parities with New York showed a downward trend, if the local rent inflation in New York surpassed that of Geneva. Furthermore, the methodology of the Service was different from that of the statistics office of the Geneva Canton, and targeted different neighbourhoods. As location was considered a major determiner of rent levels, it was reasonable to assume that rents based on different neighbourhoods could be drastically different. Rent data from the International Service for Remunerations and Pensions in the calculation of the rent index became part of the post adjustment index methodology after the culmination of a competitive process through which the methodology used by the Service was judged to be the best among competitors for the comparison of market rents across locations. The market rent surveys of the Service were conducted in full collaboration with the national statistical institutes of participating countries, and its methodology was continually reviewed and validated by the technical working groups of the European Union with participation by the staff of those national institutes.

117. The Geneva statisticians reiterated the findings contained in their report, but focused on what they viewed as problems with the calculation of the rent index, as well as with the rent data of the International Service for Remunerations and Pensions used for that purpose. With regard to the calculation of the rent index and the domestic service index, they pointed out that the use of quantity weights instead of expenditure weights in the formulas used to derive the index was not in line with the theoretical requirements of the use of those indices, and therefore was not statistically valid. They claimed that, according to experts in the field, such index formulations had no meaning. As for the process of determining domestic service costs, they stated that the outlier detection approach used for New York diverged significantly from the one used for Geneva, noting that the thresholds used for detecting extreme values for New York were much higher than those used for Geneva, which might have led to significantly low parities for that housing component, to the disadvantage of the duty station. The problem with the International Service for Remunerations and Pensions rent data was that it showed trends that were significantly different from those based on official rent indices published by the Geneva Canton, especially from 2012 onward. In their view, the correction of all of those errors would bring the post adjustment index for Geneva to within 4 per cent of the prevailing pay index, which would have meant the maintenance of the status quo for the post adjustment multiplier for Geneva under current operational rules. They also attributed the divergence of the post adjustment index and pay index for Geneva, since 2010, to the inconsistency between the International Service for Remunerations and Pensions rent data and rent data from local sources. They concluded by saying that clarifications provided by the secretariat or the independent expert did not change the conclusions reached by the Geneva statisticians as recorded in their report.

118. The secretariat found that the Geneva statisticians' findings were based on a limited knowledge of the post adjustment index methodology and its institutional setting. They had made liberal use of alternative and unilateral assumptions that were at variance with the approved methodology to arrive at different results that were then used to question the secretariat's use of the approved methodology. It was clear that different methodological assumptions would lead to different results. It should also be noted that the Geneva statisticians forcefully advocated for the use of expenditure weights in the calculation of the rent index, but then used in their calculations the market rent data of the International Service for Remunerations and Pensions (i.e., prices), which were presumably another proxy for expenditures that, one might argue, would be even more biased than quantity weights, as many past studies had shown that staff expenditures on rent were significantly lower than the Service-estimated market rents, with average staff-reported rents as low as half the average rent, as estimated by the Service, for some dwelling types for some duty stations. The secretariat therefore did not see any merit in implementing the methodological proposals of the Geneva statisticians, especially after demonstrating that it had correctly and faithfully applied the approved methodology in deriving the results of the cost-of-living surveys for 2016 at headquarters duty stations and in Washington, D.C., as recommended by Advisory Committee on Post Adjustment Questions at its thirty-ninth session and ratified by the Commission at its eighty-fourth session.

119. While acknowledging the reaction of both the staff and administrations of Geneva-based organizations to the impact of the negative results of the survey on staff salaries, Commission members reiterated their unanimous view that the secretariat had implemented the post adjustment methodology correctly, and suggested that the discussion proceed to implementation mechanisms. They emphasized that the purpose of the post adjustment index methodology was to maintain purchasing power parity of salaries across duty stations, and not to keep pace with inflation at any particular duty station. The large gap between the prevailing pay index and the underlying post adjustment index for Geneva was evidence that the survey results, even though negative, were nevertheless credible. They expressed satisfaction with the clarifications provided by the secretariat with respect to the post adjustment index methodology and its application to the baseline cost-of-living surveys, and stressed that they had full confidence in the work of its secretariat and the Advisory Committee on Post Adjustment Questions. The Commission considered the report of the Geneva statisticians to be irrelevant, because it was based on assumptions and a methodology that was different from that approved by the Commission, and as a result yielded different results from those obtained by the secretariat. The Commission had an obligation to implement the results of the methodology that had been reviewed and approved and considered lawful. However, even if the post adjustment index methodology and its application were perfect, it would still not be desirable for them to produce large salary reductions, and so the Commission should consider reinstating mitigation measures to cushion the impact of negative survey results on salaries of staff, in a manner that did not overly distort the purchasing power parity of salaries across the entire system.

Results of the baseline cost-of-living surveys for 2016 for Geneva, London, Madrid, Montreal, Paris, Rome, Vienna and Washington, D.C.

120. The secretariat presented the recommendations of the Advisory Committee on Post Adjustment Questions with regard to the results of pending baseline cost-of-living surveys in headquarters duty stations, namely those covered by the European Comparison Programme, following the analysis of data collected during the special price survey conducted by the secretariat in Brussels and related studies. The

primary objective of the survey was to assess the impact of methodological differences between the ICSC and European Comparison Programme survey systems on the prices collected. The Brussels price survey was conducted under the ICSC methodology, and the price data collected was compared with those of the European Comparison Programme in order to estimate a survey transition factor, which was then used to adjust the post adjustment indices based on the European Comparison Programme data. Since the European Comparison Programme price data collection methodology was uniform across all covered duty stations, the Advisory Committee agreed that the secretariat needed to do the price survey in only one covered duty station. Brussels was chosen for the exercise because of the strong institutional relationships between the Belgian national statistics institute and Eurostat, which was one of the partner agencies working collaboratively with the ICSC secretariat, including through the exchange of statistical information.

121. On the basis of those considerations, the Advisory Committee on Post Adjustment Questions recommended that the Commission approve the results of the baseline cost-of-living surveys for 2016 for all headquarters duty stations covered by the European Comparison Programme as adjusted by the survey transition factor. Furthermore, the Advisory Committee emphasized that the survey transition factor was intended to be temporary and therefore recommended that the secretariat conduct the research and analysis necessary for direct comparisons of price data collected by the ICSC and European Comparison Programme survey systems without the need of adjustment by a survey transition factor by the next round of surveys. Finally, in view of the complications introduced by the use of European Comparison Programme data, and other possible sources of non-sampling errors inherent in any survey process, the Advisory Committee recommended that the Commission consider granting a reasonable margin of error for the results of all surveys conducted under the round for 2016 that were significantly lower than the prevailing pay index.

122. The results of the surveys for Geneva, Montreal and Washington, D.C., had already been approved by the Commission at its eighty-fourth session. The results for Montreal and Washington, D.C., were implemented as at 1 May 2017. However, the implementation modalities of the result for Geneva were discussed by the Commission at its eighty-fifth session, during its consideration of the results of the other duty stations with survey results that were significantly lower than the prevailing pay index, namely Rome and Madrid.

Discussion in the Commission

123. The representative of the Human Resources Network stated that the application of a survey transition factor calculated on the basis of a price survey in Brussels to the adjustment of post adjustment indices for all European Comparison Programme-covered group I duty stations was a deviation from the long-standing practice of considering information specific to the surveyed duty station, and therefore raised concerns for the affected organizations. The representative of IAEA, on behalf of organizations based in Vienna, emphasized that the use of the European Comparison Programme price data for comparison with price data collected in New York using the traditional ICSC methodology did not engender confidence in all stakeholders that the methodology and its application continued to fulfil the purpose of the post adjustment system in ensuring the purchasing power parity of salaries across the duty stations. She added that the results of the Brussels survey were proof that the two methodologies, and therefore the data produced by them, were not comparable. Furthermore, the notion that the survey transition factor calculated for Brussels would apply to all European duty stations was a deviation from the principle of duty station-specific price comparison, which was a core

element of the post adjustment system. Considering that concerns had been raised, she suggested that it would be prudent to postpone the implementation of the surveys in European Comparison Programme-covered headquarters duty stations and consider conducting separate and specific price collection exercises instead. The representative of UNESCO expressed full agreement with statements made by the Human Resources Network and the Vienna-based organizations. The representative of WFP, on behalf of the Rome-based organizations, also expressed support for the views expressed by IAEA and UNESCO, confirming that the methodological changes applied, including the first-time use of European Comparison Programme data, needed a particularly diligent review of the survey process and results by the executive heads of agencies, as required by the International Labour Organization Administrative Tribunal, prior to implementation. The ILO statistician suggested that an alternative to using the survey transition factor was to do a price survey using the European Comparison Programme survey system, or, in other words, adjust the New York price data to be comparable to that of the headquarters duty stations covered by the European Comparison Programme.

124. The representatives of the staff federations agreed that the European Comparison Programme price survey for Brussels was conducted in line with the approved methodology, but pointed out that the secretariat itself confirmed that there were differences in methodology between the ICSC and Programme survey systems, and suggested that the secretariat conduct a separate price survey and estimate a separate survey transition factor for each duty station concerned. They stressed that the survey transition factor could not be broadly applied to all European Comparison Programme-covered duty stations and that its use was statistically questionable. They cited some examples of specific items for which the price structure was specific to the duty station and therefore different across duty stations. They added that, unless those inconsistencies were addressed, questions would continue to be raised about the comparability of European Comparison Programme and ICSC price data. They also expressed a preference for the use of ICSC-collected price data for all duty stations, as it was collected in a transparent manner by ICSC pricing teams in collaboration with other stakeholders.

125. While acknowledging the comparability issues between the European Comparison Programme and the ICSC price data collection approaches, the secretariat reiterated that the choice of Brussels for the special price survey, which served as the base for the European Union's salary adjustment system, offered a unique opportunity for the secretariat to leverage the institutional relationships and capacities that were available from partner agencies. It further explained that the difference in the methodologies between ICSC and the European Comparison Programme, as captured by the survey transition factor through the Brussels survey, would be applicable to other Programme-covered duty stations owing to the fact that the Programme price data collection methodology was uniform across countries covered by the Programme. The secretariat pointed out that primary price parities were calculated by using duty station-specific European Comparison Programme prices in the comparison with New York, which, after adjustment by the survey transition factor, captured the underlying characteristics of their respective markets. Given its similarity with the estimate proposed by secretariat at the thirty-ninth session of the Advisory Committee on Post Adjustment Questions and the estimate based on a comparison of European Comparison Programme data for Bern with ICSC data for Geneva, the Advisory Committee, at its thirty-ninth resumed session, was of the opinion that the calculated survey transition factor was a reasonable estimate of the differences in the two price survey approaches. While recommending its use for the round for 2016, the Advisory Committee reiterated that the application of the survey transition factor should be temporary, used only

for the current round, and asked the secretariat to conduct further studies so that the survey transition factor would not be required in the next round of surveys.

126. The Commission expressed the view that the mechanism of adjustment of the post adjustment indices of European Comparison Programme-covered countries by way of the Brussels survey and related studies was carried out in accordance with the recommendation of the Advisory Committee on Post Adjustment Questions, and therefore the Commission was prepared to approve the results for those duty stations. The Commission, however, took note of the concerns expressed by organizations and staff federations about the comparability of the European Comparison Programme and ICSC price data sets and requested the secretariat to pursue further analysis and studies to either completely align the two systems in a manner that would allow direct price comparisons without use of the survey transition factor, or to pursue other options for obtaining comparable price data, by the next round of surveys.

Decisions of the Commission

A. Methodological aspects of the baseline cost-of-living surveys for 2016 at headquarters duty stations and in Washington, D.C.

127. The Commission decided to:

(a) Reaffirm that the collection and processing of the data from the baseline cost-of-living surveys for 2016 were carried out by the secretariat in accordance with the approved methodology;

(b) Take note of the findings in the documents prepared by the Geneva statisticians, and of staff federations, on various aspects of the post adjustment methodology, and the secretariat's response to those findings, and to provide both documents to the Advisory Committee on Post Adjustment Questions;

(c) Request the Advisory Committee to continue its work on improving the methodology underpinning the post adjustment system, in collaboration with representatives of the administrations and staff federations of the United Nations common system.

B. Results of baseline cost-of-living surveys in Geneva, London, Madrid, Montreal, Paris, Rome, Vienna and Washington, D.C.

128. The Commission decided to:

(a) Approve a margin of 3 per cent to be added to the results of all cost-of-living surveys conducted under the round for 2016 that are lower than the prevailing pay index by more than 3 per cent, in view of the recommendation of the Advisory Committee on Post Adjustment Questions at its resumed thirty-ninth session;

(b) Approve the results of the baseline cost-of-living surveys for 2016 for London, Madrid, Paris, Rome and Vienna, as recommended by the Advisory Committee, and as summarized in the table below.

Summary of the results of the cost-of-living comparisons for 2016 between New York and Geneva, London, Madrid, Montreal, Paris, Rome, Vienna and Washington, D.C., as of the respective survey dates

		As of survey date		
Duty station	*Survey month (2016)*	*Survey post adjustment index (2016 system)* (1)	*Updated post adjustment index (2010 system)* (2)	*Difference (percentage)* (1)-(2)
Geneva	October	165.9	172.4	-3.8[a]
London	September	159.6	159.9	-0.2
Madrid	September	121.9	128.3	-5.0[a]
Montreal	October	135.3	134.3	+0.7
Paris	September	140.3	141.8	-1.1
Rome	October	127.9	133.2	-4.0[a]
Vienna	October	136.1	136.4	-0.2
Washington, D.C.	September	144.0	142.3	+1.2

[a] Results are likely to trigger the gap closure measure.

129. The Commission decided:

(a) That the results for London, Madrid, Paris, Rome and Vienna be implemented on 1 August 2017, taking into account inflation and exchange rate fluctuations between the survey date and the date of implementation of the results;

(b) To change the implementation date of the results of the cost-of-living survey in Geneva for 2016 from 1 May 2017 to 1 August 2017, in order to align the date of implementation with that of the other two duty stations for which the gap closure measure will be triggered (Rome and Madrid).

C. Implementation of the results of cost-of-living surveys conducted in the round for 2016

130. Taking into account the appeals by representatives of organizations and staff federations, the Commission decided to approve the following modification of the gap closure measure, an operational rule designed to mitigate the negative impact on salaries of the results of cost-of-living surveys that are significantly lower than the prevailing pay indices:

(a) In accordance with the Commission's decision in paragraph 133 (a), the post adjustment index derived from the survey (updated to the month of implementation) is augmented by 3 per cent to derive a revised post adjustment multiplier for the duty station;

(b) The revised post adjustment multiplier is applicable to all Professional staff members in the duty station. Existing staff members already at the duty station on or before the implementation date of the survey results receive the revised post adjustment multiplier, plus a personal transition allowance;

(c) The personal transitional allowance is the difference between the revised and prevailing post adjustment multipliers. It is paid in full for the first six months after the implementation date; and adjusted downward every four months until it is phased out;

(d) During an adjustment month, the new personal transitional allowance is calculated by taking the difference between the prevailing pay index and the pay index applicable to existing staff (that is, the prevailing pay index plus the existing personal transitional allowance), reduced by 3 per cent.

131. The Commission decided to request the secretariat to continue to pursue further analytical studies aimed at assessing the comparability of price data collected under the European Comparisons Programme with those collected by the ICSC secretariat. It also requested the secretariat to identify other sources of comparable price data by the next round of surveys.

D. Children's and secondary dependant's allowances: review of the methodology

132. In accordance with the schedule adopted at its eighty-third session, the Commission examined the methodology for the dependent children's and secondary dependant's allowances. The children's allowance is provided to staff in the form of a global flat-rate amount for each of their dependent children, while the secondary dependant's allowance is set at 35 per cent of the children's allowance and can be provided to staff who do not receive allowances for primary dependants.

133. Under the current methodology, the dependent children's allowance is established on the basis of the values of tax abatements and payments made under social legislation at the eight headquarters duty stations, which are calculated at the reference income at the P-4/VI dependency rate, which has been discontinued. At hard-currency locations, the allowances set in terms of United States dollars are converted to local-currency equivalents using the United Nations operational rate of exchange as at the date of promulgation. The local currency amounts remain unchanged until the next biennial review.

134. The Commission had before it a number of proposals for the revision of the methodology to reflect the relevant developments that had taken place since the last review in 2008, the most notable of which were the introduction of a revised compensation package for the Professional staff and the expansion of the common system, resulting in the addition of two locations at which the new organizations were headquartered. The proposals before the Commission also aimed at addressing certain concerns that had been raised over the years relating to the implementation of the methodology. The proposals related exclusively to the dependent children's methodology. As no issues had been raised with regard to the secondary dependant's methodology, no change in that methodology was suggested.

135. The following four areas were proposed for consideration by the Commission:

(a) A review of the reference income level at which applicable child benefit data were collected for the purposes of calculation: under the revised compensation package with the unified salary scale, the income reference point would need to be revised;

(b) A review of the reference locations, which currently included eight headquarters duty stations: the expansion of the common system would suggest that the two newly added headquarters could also be referenced in the calculation. Alternatively, the use of larger non-headquarters duty stations in the calculation could also be explored;

(c) A review of the timing and mechanism whereby global flat-rate amounts of the children's and secondary dependant's allowances were converted to local currency: while a major advantage of one-time conversion was administrative

simplicity, that arrangement might merit revisiting at a time of substantial volatility in exchange rate movements;

(d) A proposed alternative of setting varied allowance amounts according to location and/or staff grade: such approaches could take into account the differences in the costs of living at different locations.

Discussion in the Commission

136. The Human Resources Network supported the inclusion of the spouse allowance in the calculation of the reference income level to establish the children's allowance, as only that option would allow for a "like-to-like" comparison. With regard to the reference locations, the Network saw the logic of adding the two new headquarters duty stations for consistency purposes, but cautioned against the inclusion of other non-headquarters duty stations (and thus their tax regimes) as that would unnecessarily increase administrative efforts but only add marginal value. While it was flexible on the issue of the conversion of the allowance to local currency, the Network considered it administratively easiest to simply stipulate the amounts in United States dollars in principle and convert the allowance at the United Nations operational rate of exchange at the time of disbursement, as was the case for regular salary payments. Finally, it favoured the current approach whereby a global flat amount was established, since setting the allowance as a percentage of the net remuneration would be perceived as unfair, given that it would favour staff with higher salaries.

137. The representatives of the federations favoured any option that would yield more positive results for staff. FICSA did not support the addition of the two new headquarters duty stations or the inclusion of larger non-headquarters duty stations. CCISUA also expressed the view that only locations similar to those in the current list of headquarters locations should be included, given the need to maintain the homogeneous approach in selecting comparative tax and social security systems and bearing in mind the Noblemaire principle. UNISERV also stated that only those duty stations with well-developed social security systems should be included. Moreover, staff federations did not favour the variable amount approach because the use of a flat-rate amount had worked as conceptually intended, providing relatively higher-percentage rates of the allowance to those staff at lower income levels and treating all children equally.

138. The Commission noted that, since their introduction in 1957, the fundamental rationale for the dependent children's and secondary dependant's allowances as well as the overall approach to their establishment had not been called into question and had been reconfirmed on numerous occasions, including in the recent review of the compensation package. While in general the methodology had functioned well during the six decades of its existence, a few refinements had been introduced to it over the years to address certain concerns relating to its application. Those refinements had been introduced only rarely and when fully warranted. It was therefore from that perspective that the proposed options were reviewed. While the Commission saw merit in most of the proposals, none of them seemed free from certain drawbacks.

139. Therefore, while it might appear appropriate to include additional reference locations in order to reflect the expansion of the common system, that would hardly improve the accuracy of the comparison, given the small number of staff at those duty stations. In addition, some of the locations were significantly different from the other headquarters countries in terms of their socioeconomic conditions or the level of social security and therefore their inclusion could have unintended consequences. Furthermore, the Commission was of the opinion that the issue of the recently added

headquarters locations should be examined in a broader context with a view to ensuring a consistent approach to their treatment under various common system groupings, for example, those applied under post adjustment, salary surveys or hardship classifications.

140. In a similar vein, with respect to the conversion of the United States dollar amount of the allowance to local currency, some support was expressed for the use of a 12-month average exchange rate instead of a spot rate at the time of promulgation, as the former approach might improve the stability of the allowance level. On the other hand, it was recognized that such a change would do little to protect the level of the allowance in local currency, which was the original intent of the measure.

141. Limited support was expressed for the option of setting the dependent children's and secondary dependant's allowances as a percentage of net remuneration. While recognizing that such an approach would result in the alignment of the structure of the children's allowance with other family-related allowances of the new compensation package, such as the spouse allowance and the single parent allowance, the Commission favoured maintaining the dependent children's and secondary dependant's allowances as global flat-rate amounts so as to avoid providing higher allowances to staff who had higher income levels.

142. The Commission therefore felt that caution was needed in considering changes to the methodology. Given the considerations outlined above, it agreed that the present methodology should be maintained for the time being.

143. Finally, while recognizing the need to align the children's allowance calculation procedure with the new salary structure in terms of the reference salary level at which child benefits were compared, the Commission did not reach consensus as to whether the spouse allowance should be taken into account in the process. Most members considered it appropriate to include the spouse allowance, as that would set the comparison point at the net take-home pay of a married taxpayer. They felt that using the unified salary rate alone would set the comparison point against the net take home pay of a single taxpayer and, accordingly, the child benefits received by taxpayers who were single parents. That would not seem appropriate, as the situation of that group was already recognized in the common system through the single parent allowance and should not be the focus of the comparison. On the other hand, strong opposition was voiced against adding the spouse allowance, as such an approach was viewed as contradictory to the principle underlying the unified salary scale, which excluded any dependency-related benefits. The Commission therefore decided to revert to the matter during the review of the level of the children's allowance, at which time it would consider both options and decide on one.

Decisions of the Commission

144. The Commission decided to:

(a) Maintain the current methodology for the dependent children's allowance, but keep the methodology under review and revert to it as appropriate;

(b) Request its secretariat, during the review of the level of dependent children's and secondary dependant's allowances, to present for its decision the calculation results with regard to two options for the reference income level at which the child benefit was compared: one based on the unified scale rate only and one that also included the spouse allowance.

E. Report on diversity, including gender balance and geographical distribution in the United Nations common system

145. Diversity is an integral element of the mission of the United Nations and is codified in the Charter of the United Nations. Paragraph 3 of Article 101 of the Charter states: "The paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity. Due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible." The concept of gender equality has been established within the core guiding principles of the United Nations. The Charter (articles 8 and 101) stipulates that there shall be no restrictions on the eligibility of men and women to participate in any capacity and under conditions of equality in its principal and subsidiary organs. Gender balance is central to the achievement of the goals set out in various United Nations legislative decisions and incorporated into the outcome documents of United Nations conferences. The Organization's commitment to achieving system-wide gender parity is underpinned by a strong legislative and institutional framework.

146. The status of women in the United Nations common system represents an important item on the agenda of the Commission, one that the Commission has reviewed periodically under its standing mandate from the General Assembly. In its resolution 71/264, the Assembly recalled paragraphs 54 and 55 of its resolution 70/244 and the decision of the Commission contained in paragraph 160 of its annual report for 2016 (A/71/30), and in that regard requested the Commission to continue to provide information to the Assembly, at its seventy-second session, on the progress made by organizations of the United Nations common system in the implementation of existing gender policies and measures towards achieving the goal of 50/50 gender balance and strengthening geographical diversity within the common system.

147. In response to General Assembly resolution 70/244, the secretariat presented a report to the Commission at its eighty-third session, in 2016, providing information on gender-sensitive policies and measures that had been put in place with the aim of achieving gender balance in the organizations of the common system. Recognizing that all issues relating to diversity and inclusiveness should be reviewed holistically, the Commission requested its secretariat to examine all issues relating to diversity and inclusiveness, including gender parity, geographical distribution, multiculturalism, generational diversity and multilingualism.

148. The report presented by the secretariat at the eighty-fifth session of the Commission focused on gender parity and other aspects of diversity. It contained the overall representation of women in the United Nations system by level, location and region, and included recent developments towards achieving 50/50 gender balance in the United Nations system. The report also contained information on geographic distribution, other elements of diversity and the recruitment efforts and training and development programmes of organizations that aimed at creating a diverse workforce. The information obtained in the secretariat's report was collected from UN-Women; an ICSC survey conducted in April 2017 on diversity among all organizations of the common system, to which 23 organizations responded; and information collected from organizations in 2016 through a questionnaire. For its information, the Commission was also provided with a document on the external good practices on diversity and inclusiveness of eight private and public sector entities. It found that the diversity and inclusion field had developed and evolved at a considerable pace in the past two decades and that there had been a growing number of studies on how the benefits of diversity and inclusiveness for businesses

included improved representation, morale, reputation, productivity and innovation. Therefore the Commission's decision to expand the definition of diversity and to consider all elements in a holistic manner was in keeping with best external practices.

149. The diversity policies of most organizations include policies for gender parity and geographical balance in staffing. Those are supplemented by policies for the prevention of harassment and sexual harassment and abuse of authority, as well as by policies on flexible working arrangements. Some organizations have policies to avoid discrimination, including against persons with disabilities and persons with HIV/AIDS. However, the concept of diversity has evolved in the common system organizations at different rates and without a common definition.

Discussion in the Commission

150. The Human Resources Network confirmed its commitment to achieving gender parity across all grade levels in the common system organizations. It was a multifaceted challenge that needed to be considered in all areas of human resources management. The Secretary-General had started an initiative to fast-track the way towards gender parity in close consultation with the organizations as a priority matter. Organizations also strived for a diverse workforce from a variety of perspectives. The governing bodies of organizations with established desirable ranges had been taking an increasing interest in the progress being made in terms of geographical balance. Efforts had been expended to improve geographical distribution and diversity as a whole and a number of organizations continued to implement measures such as targeted outreach campaign for non- or underrepresented countries.

151. FICSA expressed its appreciation for the work being carried out by organizations and the Secretary-General's commitment to reach gender parity and diversity. FICSA noted that work was progressing positively but slowly. Some of the reasons for the slow rate of progress in gender parity might be attributed to the new compensation package, the increased number of non-staff positions and the high average age of staff at the time of recruitment (41 years). In addition, there was a lack of flexibility in supporting more recruitment of women, especially those with dependants. With regard to diversity, FICSA noted with concern the small number of organizations that had programmes for the purpose of encouraging younger people and persons with disabilities to join the system. FICSA requested that organizations do more in that respect.

152. The representative of UN-Women stated that the goal of gender parity at all levels in the United Nations system was now two decades old. In the intervening years there had been no shortage of policies, reports and recommendations to further that goal, yet implementation had been hampered, mainly by a lack of sustained accountability and an absence of accompanying measures and enabling conditions for real reform. While fundamentally a right, gender parity was increasingly necessary to the efficiency, impact and credibility of the United Nations. Greater diversity was directly correlated in both the public and private sectors with significant gains in operational effectiveness and efficiency. Moreover, for the United Nations, parity was critical to its credibility as a standard bearer. As of March 2017, the picture across the United Nations system was a mixed one. Of the total number of senior managers in all United Nations system organizations only 29 per cent were women. However, there had been significant progress in some areas. In 2006, only 2 per cent of the heads or deputy heads of peacekeeping missions were women. At the end of 2016, women comprised 24 per cent of the senior leadership of missions. Many agencies were making great strides in many areas, focusing on initiatives that addressed gender in the workplace. Those

initiatives had been documented and shared in recent publications of UN-Women, including the report of 2016 entitled "Status of women in the United Nations system". However, the aggregate figures masked the underrepresentation of women in some of the most visible and critical categories: in leadership and senior management, and in the field, particularly in conflict-affected settings where the United Nations played a more prominent role. The available data demonstrated the real challenges to the achievement of a 50/50 gender balance. In early 2017, the Secretary-General convened a working group meeting and established a task force to formulate a road map on gender parity in the United Nations system, composed of individuals from departments, agencies, funds and programmes. The role of the task force was to support the development of a road map that included implementation tasks, benchmarks, time frames and the institutional architecture for the realization of the important goal of reaching 50/50 gender balance. The working groups established were asked to be bold, ambitious and targeted. It was anticipated that such a system-wide, multipronged strategy would drive ambitious and realistic changes, include customized targets accompanied by strengthened special measures and an enabling policy environment in which to realize them, and be underpinned by accountability.

153. The representative from UNDP informed the Commission that her organization was working towards improving the gender balance of its workforce. For that purpose, a leadership programme for women staff had been established to provide them with the necessary tools and support. UNDP had also implemented a programme for people with disabilities that covered the entire workforce. At the recruitment stage, candidates had the option to indicate whether they had any disabilities. The representative from UNFPA stated that it was important to address the structural issues that caused women to leave the United Nations system, and that one of the most difficult issues to deal with was that of dual careers. UNFPA was of the view that diversity should be further expanded to include other groups such as indigenous persons.

154. The Commission noted that the representation of women in the Professional and higher categories in the United Nations common system was 42.8 per cent and had increased by 2.1 per cent over the period from 31 December 2011 to 31 December 2015, with an average annual increase of 0.5 per cent. Commission members were pleased to learn about the task force set up by the Secretary-General and his pledge to reach gender parity at the senior leadership level by 2021. Although there had been positive advances, the issue had to be looked at from another angle. It was suggested that a questionnaire be developed to determine whether women staff had access to the necessary facilities, such as child care and other support. Members noted that issues raised in the document such as microinequities and formal and informal barriers were strong factors impeding progress towards gender parity. The Commission was therefore of the view that those barriers should be identified and dealt with in order to create a gender-friendly professional domain where men and women could participate and contribute equally. The Commission asked that those issues be studied further in order to address them and achieve the goals of gender balance, empowerment and professional mobility of women in the common system. The Commission expressed support for gender-specific targets to require organizations to meet the goals. However, members highlighted that the achievement of gender balance should not be an end in itself and should not compromise the professionalism and competence of staff. The priority was to recruit competent staff, as stipulated in Article 101 of the Charter and confirmed in various resolutions of the General Assembly. The Commission further acknowledged that, in some instances, inconsistencies in the balance of objectives with regard to meeting gender targets and geographical

representation could emerge and that there should be correlation between the two goals.

155. Some members felt that there should be more attention given to geographical representation and asked for more quantitative data, such as the degree of representation that indicated when a country was under- or overrepresented, in future studies. More attention by organizations on the recruitment of persons from underrepresented countries was needed, in conformity with the Charter. Members of the Commission highlighted that it was necessary to stimulate peoples' interest in working for the United Nations system, in particular for those from underrepresented countries. A view was also expressed that some large donor countries had programmes to sponsor young professionals for recruitment and training in the United Nations system, and that such a practice could be to the detriment of diversity.

156. Members of the Commission were of the view that a broader definition of diversity was needed to include "diversity of thought and experience", as different ways of thinking about issues or world views should be of the outmost importance to the organizations. They further observed that the link between geographic representation, multiculturalism and multilingualism should be preserved and that the knowledge of at least two official United Nations languages should be a minimum requirement for recruitment. Commission members recalled that, during the compensation review, it was decided to discontinue accelerated step increments in recognition of an additional official United Nations language; nevertheless, the promotion of multilingualism remained very important. It would therefore be very useful to continue monitoring how decisions taken by the Commission affected the various policies established to support diversity and geographical representation.

157. Commission members requested more information on the age distribution of the workforce, especially in view of the increase of the mandatory age of separation to 65 for staff appointed after 1 January 2014 and the option for staff whose mandatory age of separation was 60 or 62 to remain in service up to age 65 after 1 January 2018. It was noted that the average age of recruitment in the common system was 41 years of age, and that only 5 per cent of the workforce was under the age of 30. Some Commissioners were of the view that the system restricted the access of younger people to the common system organizations and that experience was valued more than talent as a result of the current rank-in-post system. A balanced workforce composed of different age demographics created an environment in which each generation brought different skills, talents and outlooks. Younger staff had a strong grasp of technology media, more experienced staff were likely to perform well in traditional interpersonal communication environments and senior staff could provide experience in a wide range of areas, as well as leadership.

158. Commissioners recalled the work undertaken on the new Human Resources Management Framework introduced in January 2017, and expressed the need to reinforce the diversity elements in the Framework. Since the Framework was designed as a living document, changes reflecting any new developments could easily be made in real time.

Decisions of the Commission

159. The Commission decided to urge organizations to:

(a) Establish measurable outcomes with regard to the employment, advancement, retention and participation of diverse groups;

(b) Increase their efforts and invest time and resources to deal with all aspects of diversity, including training for managers and staff;

(c) Establish an overall strategy on diversity that included concrete action plans, specific targets and timelines towards achieving gender balance and equitable geographical representation if they had not yet taken the initiative to do so;

(d) Continue to review all aspects of diversity periodically.

Chapter V

Conditions of service of the General Service and other locally recruited categories: survey of best prevailing conditions of employment in Vienna

160. On the basis of the methodology for surveys of best prevailing conditions of employment of the General Service and other locally recruited staff at headquarters and similar duty stations (survey methodology I), the Commission conducted a survey in Vienna, with a reference date of April 2017. The new salary scale and the revised dependency allowances for the General Service category of the organizations of the common system in Vienna, as recommended by the Commission to the executive heads of the Vienna-based organizations, are reproduced in annex IX to the present report.

161. The recommended salary scale for the Vienna-based organizations shown in annex IX is 3.3 per cent higher than the current scale. The highest point of the proposed scale, GS-7/XII, is €80,897, or $86,893 at the April 2017 exchange rate of €0.931 per United States dollar. As at 1 April 2017, that net remuneration (net base salary plus post adjustment) was around the P-3/IV level. The total annual financial implications of implementing the recommended salary scale and the revised dependency allowances were estimated at €3.2 million.

162. As in the case of previous surveys conducted at headquarters duty stations during the current round, the local salary survey committee reported difficulties in securing employer participation. In the case of Vienna, 17 employers, including the national civil service, were surveyed. The balance of the employers was short of the standard requirement of 20, and was complemented by the use of external salary movement data.

Chapter VI
Conditions of service in the field

A. Danger pay: methodology for adjustment and review of level of allowance

163. In the context of the comprehensive review of the United Nations common system compensation package, the Commission had decided on the review cycle of the level of allowances under its purview, in accordance with the schedule outlined in annex I to its annual report for 2016 (A/71/30). The level of danger pay is to be reviewed every three years, starting in 2017. The Commission also decided to request its secretariat to put forward options to address the methodology for the adjustment of danger pay for both categories of staff.

164. In lieu of hazard pay, danger pay was introduced effective 1 April 2012 for both internationally and locally recruited staff. The current rate of the allowance is set at $1,600 per month for internationally recruited staff. A single amount was established when the Commission, in response to a request by the General Assembly in its resolution 49/223, decided to delink hazard pay from the base/floor salary for staff in the Professional and higher categories, noting that hazard pay was a largely symbolic, while not insignificant, allowance. Once the allowance was delinked from the salary scale, the amount has since been adjusted pragmatically, taking into consideration the same three indicators as those applied under the hardship allowance, namely: (a) the average movement of net base salary plus post adjustment at headquarters duty stations; (b) the movement of the out-of-area index; and (c) the movement of the net base/floor salary scale.

165. For locally recruited staff, the Commission had decided at its seventy-fourth session to increase the level of danger pay effective 1 January 2013 to 30 per cent of the net midpoint of the applicable General Service salary scales for 2012 of those duty stations qualifying for danger pay. The Commission also decided to delink danger pay effective 1 January 2013 from the applicable General Service salary scales. It was recalled that the nominal amounts of hazard pay granted to locally recruited staff had not been static but had been adjusted automatically whenever the salary scales were adjusted. Given that automaticity, which was declared undesirable by the General Assembly, the Commission decided to delink danger pay from the salary scales of locally recruited staff.

166. Danger pay has historically been paid as a set amount for all internationally recruited staff and as a country-specific amount for locally recruited staff on the basis of applicable salary scales, which served as the basis for establishing danger pay amounts. The Commission had previously expressed an opinion that the amount of danger pay should not be examined in total isolation from staff salaries, and that salary levels could serve as a reference. That approach was considered to be appropriate and served as the basis for the secretariat's proposals.

167. Options for adjustment mechanisms were presented by the secretariat. One option was to adjust the level of danger pay in order to maintain it at an amount corresponding to around 25 per cent of the net midpoint of the applicable salary scales for both categories of staff. Updating the reference year of the applicable General Services salary scales to a more recent date was also proposed. That would not mean permanently linking the danger pay to the salary scales, but rather updating the reference year to prevent the erosion of the danger pay amount over time, while maintaining the difference in local compensation among different duty stations. Another option was a periodic adjustment of the danger pay level for both

categories of staff by applying the same percentage adjustments as those applied under the hardship allowance.

168. With respect to the level of danger pay, it was proposed that it be maintained for internationally recruited staff, since the amount of $1,600 currently represented 24.51 per cent of the net midpoint of the base/floor salary scale. The analysis of the three indicators from 2011 to 2016 would not trigger any adjustment since there was limited movement of the base/floor salary scale and negative movement in the out-of-area index used for post adjustment, based on inflation factors in 26 countries. For locally recruited staff, the level had not been adjusted since 2012; however, the General Services salary scales in effect in 2012, on which the amounts were based, had been revised in all but two countries. Consequently, danger pay as a percentage of salary had eroded since 2012 in all countries except the two in which the 2012 salary scales remained in effect.

169. In summary, an adjustment to the level of danger pay for locally recruited staff was proposed by updating the reference year of the applicable General Service salary scales from those in effect in 2012 to those in effect in 2016, and adjusting the level to the value of 25 per cent of the net midpoint of the applicable General Service salary scales, whereby the derived amount would be akin to the percentage applicable to internationally recruited staff. Noting the Commission's decision in 2012, the level could be adjusted to 30 per cent of the applicable 2016 salary scales.

Discussion in the Commission

170. The Human Resources Network noted that recent years had seen increased deterioration of the security situations in many duty stations and that the number of parallel security level 3 situations was unprecedented, putting much pressure on operations. Organizations were therefore significantly increasing their efforts to enhance their duty of care in such high-risk environments, and the High-level Committee on Management was fast-tracking its interdisciplinary initiative on the matter, combining security, medical counselling and human resources expertise. Alongside those efforts, danger pay was seen as a critical underpinning of the field-based organizations' operations in duty stations with the most difficult conditions of work and life. In addition, adequate compensation for dangerous situations experienced by staff in the field was an important element for enhancing geographic mobility to such duty stations.

171. The Human Resources Network regretted that a clear methodology for the regular adjustment of the allowance had not been concluded at the time of its introduction. It noted that danger pay for locally recruited staff had been set to 30 per cent of the net midpoint of General Services salary scales applicable in 2012, while the relative value for internationally recruited staff corresponded to a lower rate. In the light of that, the Network was of the view that updated danger pay amounts for all categories of staff should be set at the level equivalent to 30 per cent of the net midpoints of the respective salary scales during the next periodic reviews.

172. The representative of FICSA concurred with the statement made by the Human Resources Network and underscored that there was no price on human life. He further stated that the level of danger pay for both categories of staff should be harmonized at 30 per cent, not at 25 per cent. The security risks for locally recruited staff were higher than for internationally recruited staff, as the latter had a tendency to live in more secure areas and were briefed on security more comprehensively than the locally recruited staff. The international staff would be evacuated when risks increased and the local staff would remain behind to carry out the programmes. In the worst situations, the local staff might be moved to safe havens within the country, but even that option might not always exist.

173. UNISERV stated that human life had equal value irrespective of the category to which the staff members belonged. If the level of danger pay for locally recruited staff were to be set at 25 per cent instead of 30 per cent, the wrong message would be sent to staff serving in the most dangerous situations. Therefore, harmonizing the level of danger pay at 30 per cent for both categories was preferred.

174. CCISUA believed that it would not be fair to reduce the amount of danger pay as a percentage of the net midpoint of the salary scales for locally recruited staff from 30 to 25 per cent. Such a reduction would be difficult to explain to staff who were already expressing concerns about the differences in amounts between categories of staff with regard to danger pay, as if the lives of international staff were of more value than those of locally recruited staff. The federation supported the recommendation of the Human Resources Network to maintain the current 30 per cent and update the amounts with reference to the salary scales for 2016.

175. Several organizations provided additional remarks on the issue. The representative of UNICEF stated that danger pay was a recognition that staff members were serving in dangerous duty stations and the allowance was seen as an incentive in the recent compensation review, noting that the organizations had a mandate to stay and deliver and the local staff carried the brunt of the work in many instances. With respect to equity, he stated that a clear understanding on how the amounts for locally recruited staff were calculated was needed, noting that 30 per cent hid the fact that the amounts of danger pay for locally recruited staff were in fact lower since the reference year of the scales was 2012. He concluded by stating that danger pay was a small amount compared to the cost of operations and that the amount of 30 per cent should be maintained.

176. UNDP recalled the discussion on security-related allowances held in 2011, in which the Commission recognized the importance of staff members working in dangerous situations. UNDP further recalled that locally recruited staff were often those most exposed to greater security risks and that they remained in duty stations when international staff were evacuated. UNDP recalled the earlier agreement of the Commission during its discussion of the issue that one global rate for locally recruited staff would not be in keeping with the principle of equity. Therefore, the country-specific amounts derived by applying 30 per cent to the net midpoint of applicable scales needed to be reviewed periodically. The representative of the United Nations expressed full alignment with the position of the Human Resources Network and the statements made by UNICEF and UNDP, adding that the focus should be on the equity of the amounts, not their equality. Maintaining the status quo vis-à-vis the current danger pay amounts for locally recruited staff would not be appropriate considering the various increases in applicable General Services salary scales. The representative of the United Nations proposed that the current percentage, 30 per cent, should be maintained and the reference year of the salary scales updated from 2012 to 2016.

177. The Commission noted that the matter of danger pay was important, albeit complex. The Commission was of the view that the principle of equity was important and that there was great merit in recognizing that the life of each and every staff member was important and equally valued, although there could be no monetary value for human life. In discussing equity, the Commission recalled that, in its earlier considerations on the possible adjustment methodology for danger pay, it had been of the view that one global rate for locally recruited staff would not be in keeping with the notion of equity, as any flat rate would create inequity given the different General Service salary scales in the different duty stations.

178. Furthermore, with respect to locally recruited staff, the Commission confirmed its earlier decision to increase the level of danger pay from 25 to 30 per cent and

that there was no justifiable reason to revert to 25 per cent. However, in the light of the fact that General Service salary scales had increased in a number of countries where danger pay was payable, there was a case for adjusting the amounts for that category of staff. The Commission noted that the financial implications for that adjustment were estimated at $17.4 million per annum, system-wide.

179. With respect to internationally recruited staff, the Commission noted that the three indicators previously used as a reference would not trigger any adjustment to the current level, and that they remained a relevant reference. According to those indicators, the amount of $1,600 retained its relative value and there was no need for an adjustment. The Commission also reiterated its decision to take an objective and pragmatic approach when reviewing the level of danger pay.

180. In accordance with the established schedule, the Commission would carry out periodic reviews of the level of danger pay for both categories of staff every three years and determine whether there was a need to adjust the levels.

Decisions of the Commission

181. The Commission decided to:

(a) With regard to the methodology for adjustment of danger pay levels:

(i) For internationally recruited staff: use as a reference the three indicators applied for the hardship allowance and the relationship between danger pay and the net midpoint of the base/floor salary scale in effect in the year of the scheduled review;

(ii) For locally recruited staff: confirm that the level would be set at 30 per cent of the applicable General Services salary scales and use as a reference the net midpoint of the applicable scales in effect in the year prior to the scheduled review;

(b) With regard to the level of the allowance:

(i) Maintain the level of danger pay for internationally recruited staff at $1,600 per month until the next review;

(ii) Update the level of danger pay for locally recruited staff by updating the reference year of the salary scales on which the calculations were based, from 2012 to 2016, and applying 30 per cent to the net midpoint of those scales;

(c) Conduct the next review of danger pay in 2020 in accordance with the established schedule.

B. Security evacuation allowance: review of level

182. In accordance with the current review cycle, the level of the security evacuation allowance, established in 2012 to assist in offsetting the direct added expenses of staff members and eligible family members who were evacuated from their official duty stations, was to be reviewed every three years, starting in 2017.

183. The current daily amount of the security evacuation allowance was established by the Commission in 2012 at $200 per day in respect of the staff member, and $100 (50 per cent) in respect of each eligible family member, for up to 30 days. After 30 days, the amounts were reduced by 25 per cent, to $150 and $75, respectively, for a maximum period of six months, following which the evacuation would normally either be lifted or the duty station would be declared as non-family. The Commission also stipulated that a duty station could be declared as non-family prior to the six-month mark following evacuation; specifically, at the three-month mark

following the assessment of the situation, on the basis of a review by the Department of Safety and Security of the United Nations Secretariat and its advice to the Chair of the Commission. Furthermore, in the event that an evacuation continued beyond six months, and the duty station had not been declared as a non-family duty station, an extended monthly security evacuation allowance, set at the same amount as that provided under the non-family service allowance[1] payable at non-family duty stations, would be applicable. The Commission also approved a single lump sum of $500 for shipment, applicable at the time of evacuation.

184. Twelve duty stations (Accra; Addis Ababa; Amman; Cairo; Dakar; Dubai, United Arab Emirates; Johannesburg, South Africa; Kampala; Nairobi; Nicosia; Santo Domingo; and Yaoundé) were designated by the field-based organizations as safe havens and have been used as such up to the time of writing.

185. At the most recent review of the level of the security evacuation allowance, in 2012, the Commission decided to maintain the global amount approach, as well as to keep the amount of the existing allowance at $200. At that time, the average of the post-60-day daily subsistence allowance rates applicable at the designated safe havens was $208. That amount was considered not to be significantly higher than the prevailing security evacuation allowance amount of $200.

186. The ICSC secretariat conducted a review of the level of the allowance by analysing the level of the post-60-day daily subsistence allowance rate for the 12 safe haven locations. In January 2017, the average of those rates was $196. The secretariat noted that the average was very close to the current security evacuation allowance rate of $200 and proposed that the Commission might wish to maintain the security evacuation allowance at its current level.

187. The extended monthly security evacuation allowance was set at the same amount as that provided under the non-family service allowance, and was payable when the evacuation had continued beyond six months but the duty station had not been declared a non-family duty station. The Commission was invited to take note of the change in the referenced allowance following the comprehensive review of the United Nations common system compensation package, when the current annual amounts of the non-family service allowance were set at $19,800 for staff with dependants and $7,500 for staff without dependants.

Discussion in the Commission

188. The Human Resources Network stated that the topic was not one of benefits and entitlements but essentially of an administrative cost reimbursement mechanism in certain security situations. The Network concurred that the current level of the security evacuation allowance should be maintained and suggested that, going forward, rather than conducting periodic reviews after several years, the changes of the amount of the allowance should be directly tied to changes in the underlying daily subsistence allowance rates used for the study.

189. FICSA concurred that the amount was sufficient and that periodic reviews of the allowance should continue to take place. CCISUA stated that the security evacuation allowance continued to be a necessary cost recovery tool and that the basis for calculating the amount by benchmarking it to the cost of the "basket" of goods and services of safe haven locations remained relevant. He further stated that the three-year review cycle established by the Commission seemed appropriate, noting that the "basket" of the safe havens should also be reviewed. UNISERV fully supported the methodology used for calculating the allowance and stated that the

[1] The additional hardship allowance was replaced by the non-family service allowance in the revised compensation package effective 1 July 2016.

Department of Safety and Security should be encouraged to make recommendations for the designation of non-family duty stations as soon as possible following an evacuation.

190. The Commission began its deliberations by expressing its support for the security evacuation allowance, noting that threats against United Nations staff were increasing. The Commission asked the organizations about the implications that arose when an evacuation of staff members suddenly occurred, in particular when the evacuation persisted for a prolonged period and triggered the payment of extended security evacuation allowances. The representative of UNDP provided several examples, including the evacuation of staff members from non-family duty stations, and of those from duty stations that did not have that designation at the time, such as in Burundi. She noted that the process of designating duty stations as non-family after evacuations was accomplished in an efficient manner, which minimized prolonged periods of evacuation status and its related uncertainties. The organizations also used other administrative modalities, such as encouraging staff members to avail themselves of home leave so that the organization was no longer required to pay the security evacuation allowance, or by placing staff members in an alternate work location, in which case the security evacuation allowance was not paid.

191. With respect to the extended monthly security evacuation allowance, it was noted that the utilization rate was low: only one instance of its use was reported by UNDP in 2015. The Commission underscored that the extended monthly security evacuation allowance, although rarely used, should be applied in a consistent manner that ensured that staff members in similar situations were equally compensated. The extended security evacuation allowance, which had been pegged to the amount of the additional hardship allowance (now the non-family service allowance), should be payable only in respect of those staff who were actually evacuated, and based on their evacuation status. The Commission concluded that it should continue to monitor how the security evacuation allowances were paid.

Decisions of the Commission

192. The Commission decided to:

(a) Maintain the security evacuation allowance at its current level of $200 per day in respect of the staff member, and $100 per day in respect of each eligible family member, for up to 30 days, and thereafter $150 and $75, respectively, for a maximum period of six months; and of a single lump sum shipping element of $500 applicable when the staff member or his/her family was evacuated;

(b) Request its secretariat to update the guidelines on security evacuation allowance originally contained in annex VII to the annual report of the Commission for 2013 (A/68/30), as appropriate.

Annex I

Programme of work of the International Civil Service Commission for 2018-2019

1. Resolutions and decisions adopted by the General Assembly and the legislative/governing bodies of the other organizations of the common system.

2. Conditions of service applicable to both categories of staff:

   (a) Use of categories of staff (General Service, National Professional Officer, Field Service and Security Service);

   (b) Review of pensionable remuneration;

   (c) Contractual arrangements, discussion paper by the Human Resources Network (flexibility);

   (d) Career development;

   (e) Human resources framework: diversity/gender;

   (f) End-of-service severance pay;

   (g) Review of staff assessment rates for grossing-up purposes.

3. Conditions of service of the Professional and higher categories:

   (a) Base/floor salary scale;

   (b) Evolution of the United Nations/United States net remuneration margin;

   (c) Post adjustment issues;

   (d) Hardship allowance: classification methodology and review of level;

   (e) Identification of highest paid national civil service (Noblemaire);

   (f) Job classification standards for General Service positions: implementation by organizations;

   (g) Children's and secondary dependants' allowances: review of levels;

   (h) Relocation shipment: review of ceiling;

   (i) Education grant: review of scale and level of boarding lump sum;

   (j) Mobility incentive: review of level;

   (k) Global staff survey on the common system compensation package.

4. Conditions of service of the General Service and other locally recruited categories:

   (a) Review of the compensation package for locally recruited staff (use of categories of staff);

   (b) Review of salary survey methodologies.

5. Conditions of service in the field: danger pay: methodology for adjustment and review of level of allowance.

6. Monitoring of the implementation of the decisions and recommendations of the International Civil Service Commission and the General Assembly by organizations of the United Nations common system.

Annex II

Guidelines for the employment of National Professional Officers (2017)

1. Recalling the requirement to preserve the universal character of the organizations of the United Nations common system embedded in the Charter of the United Nations, organizations shall recruit National Professional Officers in accordance with their mandates, taking into account their operational needs.

2. The employment of National Professional Officers by a given common system organization should be grounded in a policy framework established by that organization's legislative body, as required.

3. National Professional Officers should be nationals of, and be locally recruited within, the country of their employment. In their capacity as National Professional Officers, they may be subject to short-term duty assignments outside the country of their employment when this does not involve a change of duty station.

4. The same standards of recruitment qualifications and performance as are required for international Professional staff should apply to National Professional Officers. National Professional Officers bring national experience and knowledge to the work of their organization in their country of employment.

5. National Professional Officer posts are graded on the basis of the Job Evaluation Master Standard for the Professional and higher categories. conditions of service are established in accordance with the principle of the best prevailing conditions in the locality for functions at the same level, through the application of the local salary survey methodology promulgated by ICSC.

6. The organizations of the United Nations common system should not recruit National Professional Officers in the eight headquarters duty stations of the common system.[1]

Annex III

Criteria for the use of the Field Service category (2017)

1. Staff in the Field Service category are employed in field duty stations and are subject to rapid deployment to perform technical, logistical, security or administrative support functions, in particular in the context of setting up new or expanding operations and the maintenance and liquidation of existing operations, where impartiality, independence and neutrality is of particular concern. They qualify to serve in the context of:

(a) Peacekeeping operations;

(b) Special political missions;

(c) Peacebuilding operations;

(d) Humanitarian operations;

(e) Emergency operations.

2. Staff in this category perform functions that may require freedom of movement within and across national borders; that may include the handling of sensitive information; where the required skills and expertise are not readily available in the local labour market or local staff are otherwise precluded from performing these functions; and where there are risks to properties, assets or United Nations personnel.

3. Employment in the Field Service category is on the basis of international recruitment. Employment of nationals of the country of duty station shall not be allowed.

Annex IV

Use of step increments for rewarding exceptional performance: impact on net remuneration

(United States dollars)

	(1) No reward for exceptional performance				(2) Accelerated step in year 3 for exceptional performance				
Year	*Grade step*	*Net salary*	*New York post adjustment*	*Net remuneration*	*Grade step*	*Net salary*	*New York post adjustment*	*Net remuneration*	*Difference in net remuneration (2)-(1)*
1	P-4/I	70 647	46 698	117 345	P-4/I	70 647	46 698	117 345	–
2	P-4/II	72 184	47 714	119 898	P-4/II	72 184	47 714	119 898	–
3	**P-4/III**	**73 721**	**48 730**	**122 451**	**P-4/IV**	**75 258**	**49 746**	**125 004**	**2 553**
4	P-4/IV	75 258	49 746	125 004	P-4/V	76 795	50 761	127 556	2 553
5	P-4/V	76 795	50 761	127 556	P-4/VI	78 331	51 777	130 108	2 551
6	P-4/VI	78 331	51 777	130 108	P-4/VII	79 870	52 794	132 664	2 556
7	P-4/VII	79 870	52 794	132 664	P-4/VII	79 870	52 794	132 664	–
8	P-4/VII	79 870	52 794	132 664	P-4/VIII	81 407	53 810	135 217	2 553
9	P-4/VIII	81 407	53 810	135 217	P-4/VIII	81 407	53 810	135 217	–
10	P-4/VIII	81 407	53 810	135 217	P-4/IX	82 943	54 825	137 768	2 551
11	P-4/IX	82 943	54 825	137 768	P-4/IX	82 943	54 825	137 768	–
12	P-4/IX	82 943	54 825	137 768	P-4/X	84 480	55 841	140 321	2 553
13	P-4/X	84 480	55 841	140 321	P-4/X	84 480	55 841	140 321	–
14	P-4/X	84 480	55 841	140 321	P-4/XI	86 020	56 859	142 879	2 558
15	P-4/XI	86 020	56 859	142 879	P-4/XI	86 020	56 859	142 879	–
16	P-4/XI	86 020	56 859	142 879	P-4/XII	87 553	57 873	145 426	2 546
17	P-4/XII	87 553	57 873	145 426	P-4/XII	87 553	57 873	145 426	–
18	P-4/XII	87 553	57 873	145 426	P-4/XIII	89 091	58 889	147 980	2 555
19	P-4/XIII	89 091	58 889	147 980	P-4/XIII	89 091	58 889	147 980	–
20	P-4/XIII	89 091	58 889	147 980	P-4/XIII	89 091	58 889	147 980	–

Benefit over 10 years of service compared to (1): **$15,318**
Benefit over 15 years of service compared to (1): **$20,429**
Benefit over 20 years of service compared to (1): **$25,530**

Annex V

Data on funding for the performance rewards and recognition schemes of common system organizations

Organization	*Total amount of funding*	*Budget source of funding*
CTBTO	No response	–
IAEA	No response	Common staff costs
ICAO	$25,000	Savings identified by the Finance Branch in the regular programme budget
IMO	$24,000 (0.1 per cent of total wage bill) of which $5,000 is used for team rewards	Rewards are charged to the budget for the wage bill of the relevant staff member
PAHO	No response	Separate rewards/recognition budget
UNDP	Implementation and funding of the programme is decentralized	Separate rewards/recognition budget and individual departmental budgets
UNFPA	Token amounts only	Separate rewards/recognition budget
UNICEF	Not applicable	Not applicable
UNIDO	No separate budget	Staff costs
UNOPS	$2.43 million (0.82 per cent of remuneration costs)	Separate rewards/recognition budget
WHO	$64,524 (0.012 per cent of remuneration costs), of which $24,000 is used for team rewards	Office of the Director General and the Department of Human Resources
WIPO	SwF 120,000 (0.06 per cent of remuneration costs), of which SwF 15,000 is used for team rewards	Combination of a separate rewards/recognition budget and training funds

Annex VI

Principles and guidelines for performance appraisal and management for the recognition of different levels of performance

(A/70/30, annex III, revised)

Principle 1: Performance appraisal is a management tool, but it is not a substitute for good management

- Performance appraisal is not an end in itself; it represents one element in a set of management measures

Principle 2: The objectives that the organization has for performance appraisal should be formulated before a system is selected or developed: the process and procedures employed should be consistent with these purposes

- Objectives should be clearly communicated to supervisors and staff
- Use information from performance appraisals for decisions, such as those regarding contract extensions, personal development and promotions

Principle 3: The purposes of performance appraisal should be clearly understood by all

- Policies and procedures should be effectively communicated to staff
- Comprehensive training should be provided on performance management

Principle 4: Performance management and appraisal must be important and meaningful to executive heads, managers, supervisors and staff at large

- The executive heads and senior management should be fully engaged and committed and act as role models for the organization
- Managers should be directly involved in devising new or modifying existing performance appraisal systems
- Performance appraisal should be part of every manager's job, and his/her own performance in this regard should be assessed accordingly
- Managers and supervisors should undergo training in performance appraisal

Principle 5: To the extent possible, appraisals should be based on agreed individual workplans emanating from organizational priorities, together with the competencies required to accomplish them

- Managers and supervisors should be fully committed to the system
- Individual workplans should be drawn up and agreed upon by the staff member and the manager
- Workplans should be realistic and achievable and stated in clear and objective terms, specifying the outcome expected at the end of the reporting period
- If included in the appraisal, competencies should correspond to the organization's competency framework
- Where no agreement is possible, the manager's decision prevails

Principle 6: Consistent with the purposes to be served, the performance appraisal process should be as simple as possible

- The appraisal system should be simple and transparent
- Complicated processes and procedures should be avoided
- Best use should be made of prevailing technology and software

Principle 7: The workplan, standards of performance and priorities should be derived from organizational objectives and agreed at a meeting between the staff member and the supervisor at the beginning of the reporting period and be subject to a midterm review and a final appraisal meeting

- Continuous dialogue between the staff member and the supervisor is encouraged throughout the reporting period
- Changes in workplans or priorities should be discussed as early as possible, but no later than at the midterm review
- Final appraisal meeting should be conducted in an open and transparent manner to ensure no surprises in the final written appraisal document

Principle 8: Performance ratings must be applied objectively and accurately

- Human resources department to monitor compliance with the performance appraisal system and provide periodic reports on overall ratings
- Establishment of performance review bodies is encouraged
- Feedback and further training and coaching as necessary to be provided for managers to ensure objectivity and accuracy in their appraisals

Principle 9: Staff members and supervisors should engage in continuous dialogue throughout the performance cycle, and staff members should be provided with an opportunity to comment on their performance ratings and to rebut their ratings in cases of less-than-satisfactory performance

- Performance appraisal systems should include a provision for staff to make comments on the supervisor's appraisal
- Staff members should be open to constructive feedback
- Use of mediation or other such service is encouraged before a formal rebuttal procedure is launched
- Rebuttal procedures must conform to the organization's rules and regulations in this regard

Principle 10: There must be different consequences for different levels of performance that are known to both supervisors and staff

- Organizations should clearly specify the administrative and other actions that address different levels of performance and communicate these to the staff
- It is desirable for human resource departments, while duly maintaining confidentiality, to provide periodic statistics on the administrative actions taken in response to different levels of performance.

A. Framework for recognition and reward programmes

General characteristics of merit awards

- They should be linked to the achievement of noteworthy accomplishments
- Merit rewards should be considered meaningful by the organization
- They should be proportionate to the achievement being recognized

Criteria for granting merit awards

- Exceptionally meritorious performance, outstanding productivity or exceptional act of service
- Applicable to individuals or teams
- All categories of staff are eligible
- Additional criteria may be established by each organization

Funding

- Appropriate budgetary arrangements should be made to ensure the long-term sustainability of the system. The overall cost of a recognition and reward programme should not exceed 1.5 per cent of an organization's projected remuneration costs (i.e., net remuneration for Professional and higher category staff, and salaries for the General Service and related categories)

Team awards

- Applicable to members of teams that made an outstanding/exceptional contribution to the work of the organization
- Team members receiving team rewards must have an individual performance rating of satisfactory or above
- Non-cash and cash rewards may be awarded

Basis for determining who receives an award

- Based primarily on ratings from performance appraisal system
- Establishment of a merit review body is encouraged to underline fairness and transparency

Types of awards

Non-cash:

- Certificate of appreciation
- Plaque/pin
- Books, electronic equipment or software
- Additional leave/sabbatical leave
- Travel/duty travel
- Other non-cash rewards as deemed appropriate

Cash:

- Flexible amounts of up to 10 per cent of net base salary (in the case of international staff in the Professional and higher categories, without the post adjustment)
- Differentiated cash rewards based on performance level to be encouraged
- Cash and non-cash rewards may be combined

B. Treatment of underperformance

General guidance

- Dealing with underperformance should be part of an organization's performance management strategy
- Early detection and corrective action are important
- Underperforming staff should be provided with opportunities to improve
- Cases of underperformance should be well documented

Specific measures to be adopted in cases of underperformance

- Withholding of salary increment until performance improves to a satisfactory level
- Performance improvement plan to be drawn up between the supervisor and the staff member, with specific performance indicators and timelines
- Appropriate training should be provided to the staff member if applicable

Consequences for persistent cases of underperformance

- Reassignment to another post or a lower level
- Non-extension/termination of appointment in accordance with organizational policy

Enclosure

Outline of a training programme for managers

1. Training and learning programmes are a feature of all modern organizations. Organizations in the private and public sector go to great lengths to ensure that their managers receive the most modern and up-to-date training in a variety of disciplines.

2. In recent years, the importance of "people management" skills has been highlighted and the availability of programmes in this area has increased significantly.

3. Notwithstanding the above, and as evidenced by the remarks of the High-level Committee on Management in this regard, there is a perception that managers in the United Nations system are not adequately prepared for dealing with staff and that the root of many performance management problems lies in conflicts that could have been avoided with the use of better managerial skills.

4. It is clear that organizations should continue their efforts and make adequate budgetary arrangements for the provision of improved and additional learning opportunities for managers in performance management, as well as establish coaching and support mechanisms for managers in addressing performance management issues.

5. Given the nature of performance management, learning events and training programmes in this area should be as interactive as possible. While these may be supplemented by online training programmes, face-to-face interactions and simulations should be encouraged. A case can also be made for making such training essential to progression to higher managerial levels.

6. Taking into account the trend towards further encouraging a performance culture throughout the United Nations system, consideration might be given to mainstreaming training into performance management. Induction programmes throughout the United Nations system could include modules in performance management. The United Nations System Staff College could develop a training programme in performance management or include such modules in some of its existing management development programmes. This could be supported by supplementary online training programmes which could contain in-depth background information and reading material as appropriate.

7. Given the diversity of performance appraisal systems throughout the United Nations common system, it is clear that organizations have developed, and will continue to develop, their own training programmes in this regard. This allows organizations to take into account their specific organizational culture, as well as their prevailing policies, procedures and systems.

8. Notwithstanding the above, and taking into account the proposed principles outlined in the present paper, there are certain common features or topics that should be included in all performance appraisal training programmes for managers throughout the common system. The outline provided below suggests a number of these features.

A. Overall learning objectives

9. These can be explained in general terms as follows:

At the end of the training programme, participants will be able to:

- Understand the purpose, goals and importance of the organization's performance appraisal system
- Effectively utilize the organization's performance appraisal system
- Become more proficient in giving performance evaluations
- Gain commitment from staff in achieving outputs by involving them in setting their objectives
- More effectively link staff outputs with organizational priorities and objectives

B. Organization-specific aspects

10. The characteristics of the organization's performance appraisal system, including its policies and procedures, could form a separate module and would be developed by each organization. Typical items covered would be:

- Importance of performance appraisal and its role in achieving organizational goals
- Development of performance appraisal within the organization
- Establishing a performance culture
- Importance of continuous dialogue
- Understanding the roles and responsibilities of managers and staff
- Legal/policy issues related to performance appraisal
- Description of the organization's procedures, forms and administrative measures related to performance appraisal

C. Training for effective communication and interpersonal skills

11. This review has illustrated the importance of effective communication and its role in a number of management processes. In the area of performance appraisal, where there are consequences for different levels of performance, it is crucial that a manager possess the communication and interpersonal skills necessary to manage the process effectively.

12. The following topics should be included:

- Creating a trusting environment
- Effective listening
- Asking questions
- Body language
- Providing feedback
- Dealing with awkward issues
- Dealing with difficult people

D. Performance cycle

13. The principles outlined in the framework underscore the importance of continuous dialogue between supervisors and staff throughout the reporting period. At a minimum, formal appraisal meetings should take place at the beginning of the reporting period, in the middle for a midterm review, and at the end for the final appraisal.

14. While all meetings require good communication and interpersonal skills on the part of the manager as described in section C above, each of the meetings has its own characteristics which require specific training input.

Performance planning

- Preparing for meeting — reviewing documentation, organizational priorities, role of division/department, role/job description of staff member
- Choosing an appropriate time, duration and location
- Having an agenda and setting a positive tone
- Specific, measurable, achievable, relevant and time-bound (SMART) outputs and agreeing on performance indicators
- Understanding and using the organization's competency framework (where it exists)
- Agreeing on development plan and outputs

Midterm review

- Preparing for meeting — reviewing progress reports and other data, new organizational initiatives, etc.
- Acknowledging achievements so far
- Identifying problems or obstacles and how the manager can help
- Reviewing and adjusting workplan in line with any changing organizational requirements
- Determining the need for additional resources

Final appraisal meeting

- Preparing for meeting — reviewing documentation, including annual reports, major accomplishments and difficulties
- Truthful, honest and objective communication
- Acknowledging accomplishments
- Communicating difficult messages
- Being aware of common pitfalls in concluding the appraisal process
- Training and development needs
- Drawing up performance improvement plans in cases of poor performance

15. The outline above contains those elements that could be included in training programmes throughout the United Nations common system. It is not exhaustive and can be adapted and reviewed in the light of developments and innovations in the area of performance management in international organizations.

Annex VII

Proposed salary scale and pay protection points

A. Salary scale for the Professional and higher categories showing annual gross salaries and net equivalents after application of staff assessment (effective 1 January 2018)[a]

(United States dollars)

Level		*I*	*II*	*III*	*IV*	*V*	*VI*	*VII*	*VIII*	*IX*	*X*	*XI*	*XII*	*XIII*
USG	**Gross**	**194 329**												
	Net	143 757												
ASG	**Gross**	**176 292**												
	Net	131 853												
D-2	**Gross**	**140 984**	**144 059**	**147 133**	**150 223**	**153 488**	**156 750**	**160 011**	**163 273**	**166 535**	**169 795**	..	..	..
	Net	108 189	110 341	112 493	114 647	116 802	118 955	121 107	123 260	125 413	127 565	..	..	..
D-1	**Gross**	**126 150**	**128 851**	**131 554**	**134 257**	**136 951**	**139 654**	**142 356**	**145 053**	**147 757**	**150 483**	**153 347**	**156 209**	**159 074**
	Net	97 805	99 696	101 588	103 480	105 366	107 258	109 149	111 037	112 930	114 819	116 709	118 598	120 489
P-5	**Gross**	**108 633**	**110 930**	**113 230**	**115 524**	**117 824**	**120 119**	**122 420**	**124 716**	**127 013**	**129 310**	**131 609**	**133 903**	**136 203**
	Net	85 543	87 151	88 761	90 367	91 977	93 583	95 194	96 801	98 409	100 017	101 626	103 232	104 842
P-4	**Gross**	**89 253**	**91 295**	**93 337**	**95 379**	**97 421**	**99 462**	**101 636**	**103 853**	**106 069**	**108 284**	**110 506**	**112 717**	**114 936**
	Net	71 332	72 884	74 436	75 988	77 540	79 091	80 645	82 197	83 748	85 299	86 854	88 402	89 955
P-3	**Gross**	**73 225**	**75 114**	**77 005**	**78 893**	**80 784**	**82 674**	**84 563**	**86 457**	**88 345**	**90 234**	**92 128**	**94 016**	**95 908**
	Net	59 151	60 587	62 024	63 459	64 896	66 332	67 768	69 207	70 642	72 078	73 517	74 952	76 390
P-2	**Gross**	**56 542**	**58 233**	**59 922**	**61 612**	**63 304**	**64 996**	**66 688**	**68 375**	**70 067**	**71 757**	**73 446**	**75 139**	**76 828**
	Net	46 472	47 757	49 041	50 325	51 611	52 897	54 183	55 465	56 751	58 035	59 319	60 606	61 889
P-1	**Gross**	**43 792**	**45 106**	**46 419**	**47 734**	**49 046**	**50 395**	**51 829**	**53 264**	**54 699**	**56 134**	**57 568**	**59 001**	**60 437**
	Net	36 347	37 438	38 528	39 619	40 708	41 800	42 890	43 981	45 071	46 162	47 252	48 341	49 432

Abbreviations: ASG, Assistant Secretary-General; USG, Under-Secretary-General.

[a] The normal qualifying period for in-grade movement between consecutive steps is one year. The shaded steps in each grade require two years of qualifying service at the preceding step.

B. Pay protection points for staff whose salaries are higher than the maximum salaries on the unified salary scale (effective 1 January 2018)

(United States dollars)

Level		*Pay protection point 1*	*Pay protection point 2*
P-4	**Gross**	**117 154**	**119 375**
	Net	91 508	93 061
P-3	**Gross**	**97 796**	**99 686**
	Net	77 825	7 261
P-2	**Gross**	**78 520**	–
	Net	63 175	–
P-1	**Gross**	**61 871**	–
	Net	50 522	–

Annex VIII

Yearly comparison and the development of the margin over time

A. Comparison of average net remuneration of United Nations officials in the Professional and higher categories in New York and United States officials in Washington, D.C., by equivalent grades (margin for calendar year 2017)

Grade	Net remuneration (United States dollars)		United Nations: United States ratio (United States, Washington, D.C. = 100)	United Nations: United States ratio adjusted for cost-of-living differential	Weights for calculation of overall ratio[d]
	United Nations[a,b]	United States[c]			
P-1	69 214	53 003	130.6	114.8	0.5
P-2	90 397	67 019	134.9	118.5	10.6
P-3	112 035	86 636	129.3	113.6	30.1
P-4	133 959	104 690	128.0	112.5	32.0
P-5	156 691	122 591	127.8	112.3	19.2
D-1	178 239	139 907	127.4	112.0	5.8
D-2	191 524	150 802	127.0	111.6	1.7
Weighted average ratio before adjustment for New York/Washington, D.C., cost-of-living differential					129.0
New York/Washington, D.C., cost-of-living ratio					113.8
Weighted average ratio, adjusted for cost-of-living differential					113.4

[a] For the calculation of average United Nations salaries, CEB personnel statistics as at 31 December 2015 were used.

[b] Average United Nations net salaries by grade, reflecting 1 month at multiplier 63.2 and 11 months at multiplier 66.1, on the basis of the unified salary scale in effect from 1 January 2017.

[c] For the calculation of the average of United States federal civil service salaries, personnel statistics as at 31 December 2016, received from the United States Office of Personnel Management, were used.

[d] These weights correspond to the United Nations common system staff in grades P-1 to D-2, inclusive, serving at Headquarters and established offices as at 31 December 2015.

B. Calendar year net remuneration margin levels, 2008-2017

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Margin	114.7	113.8	113.3	114.9	116.9	119.6	117.4	117.2	114.5	113.4

Annex IX

Recommended net salary scale and dependency allowances for staff in the General Service category in Vienna

A. Recommended net salary scale for staff in the General Service category in Vienna (survey reference month: April 2017)

(Euros)

	I	*II*	*III*	*IV*	*V*	*VI*	*VII*	*VIII*	*IX*	*X*	*XI*	*XII*[a]
G-1	24 953	25 748	26 543	27 338	28 133	28 928	29 723	30 518	31 313	32 108	32 903	33 698
G-2	28 857	29 778	30 699	31 620	32 541	33 462	34 383	35 304	36 225	37 146	38 067	38 988
G-3	33 381	34 451	35 521	36 591	37 661	38 731	39 801	40 871	41 941	43 011	44 081	45 151
G-4	38 629	39 866	41 103	42 340	43 577	44 814	46 051	47 288	48 525	49 762	50 999	52 236
G-5	44 684	46 115	47 546	48 977	50 408	51 839	53 270	54 701	56 132	57 563	58 994	60 425
G-6	51 704	53 358	55 012	56 666	58 320	59 974	61 628	63 282	64 936	66 590	68 244	69 898
G-7	59 821	61 737	63 653	65 569	67 485	69 401	71 317	73 233	75 149	77 065	78 981	80 897

[a] Longevity step.

B. Recommended dependency allowances

(Euros)

Allowance		*Amount per year*
(a) Dependent child (under age 3)	For first child	2 603
	For second child	2 768
	For third child	3 049
	For fourth/additional child	3 239
(b) Dependent child (between ages 3 and 10)	For first child	2 794
	For second child	2 959
	For third child	3 240
	For fourth/additional child	3 430
(c) Dependent child (between ages 10 and 19)	For first child	3 024
	For second child	3 190
	For third child	3 471
	For fourth/additional child	3 660
(d) Dependent child (age 19 and older)	For first child	2 950
	For second child	3 115
	For third child	3 396
	For fourth/additional child	3 586
First dependent child of a single staff member (widowed, divorced, single or legally separated)	In addition to the rates under (a), (b), (c) and (d) above	494
Dependent spouse		361

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Corrigendum

1. Paragraph 181, subparagraph (b) (ii)

At the end of the subparagraph *insert* as of January 2018

2. Annex VII.B, column 4 (Pay protection point 2)

The entry for P-3 Net *should read* 79 261

17-17582 (E) 061017

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